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Government
of Canada

Gouvernement
du Canada

Government
Publication

Prepared by the
Receiver General for Canada

2/2

Public Accounts of Canada

1999

Volume I

Summary Report and Financial Statements

Canada

To His Excellency

The Right Honourable Roméo LeBlanc,
P.C., C.C., C.M.A., C.D.,
Governor General and
Commander-in-Chief of Canada.



To The Honourable Alfonso Gagliano

Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada 1999

Volume I



Summary Report and Financial Statements

Gouvernement
du Canada

Government
of Canada



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Receiver General for Canada

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Volume I

Summary Report
and Financial
Statements



Canada

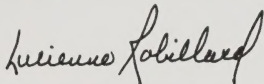
To His Excellency

The Right Honourable Roméo LeBlanc,
P.C., C.C., C.M.M., C.D.,
Governor General and
Commander-in-Chief of Canada.

MAY IT PLEASE YOUR EXCELLENCY:

I have the honour to present to Your Excellency the
Public Accounts of Canada for the year ended March 31,
1999.

All of which is respectfully submitted.



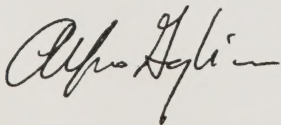
Lucienne Robillard,
President of the Treasury Board.

OTTAWA, SEPTEMBER 28, 1999

To The Honourable Lucienne Robillard,
President of the Treasury Board.

In accordance with the provisions of section 64(1) of
the *Financial Administration Act*, I have the honour to
transmit herewith the *Public Accounts of Canada* for the
year ended March 31, 1999, to be laid by you before the
House of Commons.

Respectfully submitted,



Alfonso Gagliano,
Receiver General for Canada.

OTTAWA, SEPTEMBER 28, 1999

To The Honourable Alfonso Gagliano,
Receiver General for Canada.

Sir:

I have the honour to submit the *Public Accounts of
Canada* for the year ended March 31, 1999.

Under section 64(1) of the *Financial Administration
Act*, the *Public Accounts of Canada* for each fiscal year
shall be prepared by the Receiver General and shall be
laid before the House of Commons by the President of
the Treasury Board on or before the thirty-first day of
December next following the end of that year, or if the
House of Commons is not then sitting, within the first
fifteen days next thereafter that the House of Commons
is sitting.

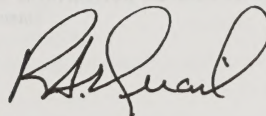
This annual report is presented in two volumes:

Volume I—The financial statements of Canada on
which the Auditor General has expressed an opinion; the
observations by the Auditor General on the financial
statements of Canada; a ten-year summary of the
Government's financial transactions; analyses of
revenues and expenditures, and of asset and liability
accounts; and various other statements.

Volume II—Details of the financial operations of the
Government, segregated by ministry (Part I); and
additional information and analyses (Part II).

The audited financial statements contained in
Volume I are for the year ended March 31, 1999.

Respectfully submitted,



Ranald A. Quail,
Deputy Receiver General for Canada.

OTTAWA, SEPTEMBER 28, 1999

VOLUME I

TABLE OF CONTENTS

Section

- Introduction
- 1. Financial Statements of the Government of Canada and Opinions and Observations of the Auditor General
- 2. Supplementary Financial Information
- 3. Revenues, Expenditures and Accumulated Deficit
- 4. Consolidated Accounts
- 5. Accounts Payable, Accruals and Allowances
- 6. Interest-Bearing Debt
- 7. Cash and Accounts Receivable
- 8. Foreign Exchange Accounts
- 9. Loans, Investments and Advances
- 10. Other Information Related to the Financial Statements
- 11. Index

INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by section 64 of the *Financial Administration Act*.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in two volumes.

Volume I presents a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: audited financial statements of the Government of Canada;

SECTION 2: ten-year summary of the Government's financial transactions;

SECTION 3: review of revenues, expenditures and accumulated deficit;

SECTION 4: analysis of consolidated accounts;

SECTION 5: analysis of accounts payable, accruals and allowances;

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of cash and accounts receivable;

SECTION 8: analysis of foreign exchange accounts;

SECTION 9: analysis of loans, investments and advances; and,

SECTION 10: analysis of other information related to the financial statements.

Volume II is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

SECTION 1

1998-99

PUBLIC ACCOUNTS OF CANADA

Financial Statements of the Government of Canada and Opinions and Observations of the Auditor General

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Preface | 1.2 |
| Statement of responsibility | 1.4 |
| Opinion of the Auditor General | 1.5 |
| Financial statements— | |
| Statement of transactions | 1.7 |
| Statement of revenues, expenditures and accumulated deficit | 1.8 |
| Statement of assets and liabilities | 1.9 |
| Statement of changes in financial position | 1.10 |
| Notes to the financial statements of the Government of Canada | 1.11 |
| Supplementary statement and opinion of the Auditor General— | |
| Debt Servicing and Reduction Account | 1.26 |
| Supplementary information— | |
| Observations of the Auditor General | 1.29 |

NOTE TO READER

An overview of the financial operations of the Government of Canada is provided in an **Annual Financial Report** prepared by the Minister of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

You can obtain a copy of the **Annual Financial Report** by calling the Department of Finance at (613) 995-2855

PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of the financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. The financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, financial requirements and changes in financial position for the year. A supplementary statement reports transactions under the *Debt Servicing and Reduction Account Act*.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund"; second, that the balance of the Fund, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty also may borrow only as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of four statements and accompanying notes.

The first is the **Statement of Transactions**, which shows the extent to which cash coming in to the Government exceeded cash going out, and the resulting net reduction in borrowing. For the purposes of this statement, cash is defined as the CRF balance at March 31, unadjusted for outstanding cheques, warrants and deposits on that date. The financial transactions are classified into the following categories:

- Budgetary transactions are all transactions with outside parties which enter into the calculation of the annual surplus or deficit of the Government, that is, tax and non-tax revenues, together with expenditures.
- Non-budgetary transactions are all transactions in assets and liabilities, other than those related to foreign exchange and unmatured debt.
- Foreign exchange transactions are all transactions in international reserves held in the Exchange Fund Account (the principal objective of which is to aid in the control and protection of the external value of the Canadian dollar), the net position of the Government with respect to the International Monetary Fund, and unmatured debt payable in foreign currencies.

- Unmatured debt transactions show decreases or increases in unmatured debt, that is, the net change in amounts owing for marketable bonds, Treasury bills, Canada savings bonds and special non-marketable bonds for the Canada Pension Plan. They exclude unmatured debt payable in foreign currencies.

The second is the **Statement of Revenues, Expenditures and Accumulated Deficit**, which presents the Government's revenues, expenditures and surplus for the year, and the net accumulation of the annual surpluses and deficits since Confederation.

The third is the **Statement of Assets and Liabilities**, which discloses the Government's cash balances and investments, and amounts owing to and by the Government at the end of the year. It differs in some ways from a conventional private sector balance sheet. Two major differences concern items that are not reported on this statement: capital assets, having been accounted for as expenditures when acquired, and tax revenues receivable since tax revenues are generally reported on a cash basis. The difference, therefore, between total assets and total liabilities is simply the aggregate of annual budgetary surpluses and deficits determined in accordance with the accounting policies of the Government.

The fourth is the **Statement of Changes in Financial Position**, which provides information on the Government's cash provided by operating, investing and foreign exchange activities, and how the cash was used to repay financing. For the purposes of this statement, cash is defined as the CRF balance at March 31, adjusted for outstanding cheques, warrants and deposits on that date.

In addition to the financial statements, a supplementary statement provides details of transactions under the *Debt Servicing and Reduction Account Act*. The Act calls for certain revenues, including the goods and services tax (GST), to be used to service the public debt and not to fund new program spending.

Other sections in this volume, together with Volume II of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The opinion of the Auditor General on the financial statements does not extend to this supplementary information.

STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the statements on a basis consistent with that of the preceding year.

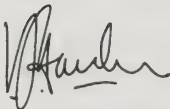
Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are generally prepared on an accrual basis of accounting; two notable exceptions are that capital assets are charged to budgetary expenditures at the time of acquisition or construction and tax revenues are generally reported on a cash basis. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized record of the Government's financial transactions, and obtains additional information as required, from departments, agencies, Crown corporations and other government business enterprises to meet accounting and reporting requirements.

The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act* and section 9 of the *Debt Servicing and Reduction Account Act*. Additional information is provided in the observations of the Auditor General at the end of this section.

Annually, the financial statements are tabled in Parliament as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.


On behalf of the Government of Canada.



V. PETER HARDER
*Secretary of the Treasury Board and
Comptroller General of Canada*



C. SCOTT CLARK
Deputy Minister of Finance



RANDAL A. QUAIL
Deputy Receiver General for Canada



**OPINION OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

To the House of Commons:

My responsibility: I have audited the statement of assets and liabilities of the Government of Canada as at March 31, 1999 and the statements of revenues, expenditures and accumulated deficit, changes in financial position, and transactions for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit as to whether:

1. the financial statements present information fairly (fairness);
2. the financial statements were prepared in accordance with the Government's stated accounting policies (compliance); and
3. the Government's stated accounting policies were applied on the same basis as in the preceding year (consistency).

The scope of my audit: I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion:

1. **Fairness:** These financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 1999 and the results of its operations, the changes in its financial position, and its financial requirements for the year then ended.
2. **Compliance:** These financial statements were prepared in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements.
3. **Consistency:** The Government's stated accounting policies have been applied on a basis consistent with that of the preceding year.

My opinion on the March 31, 1998 financial statements:

In my report dated July 27, 1998, I expressed a qualified opinion on the March 31, 1998 financial statements of the Government of Canada, for the recording of a transaction related to the Canada Millennium Scholarship Foundation as if it were a liability and an expenditure. In my opinion, this understated the 1997-98 surplus by \$2.5 billion and overstated accounts payable and accrued liabilities as well as the accumulated deficit by the same amount.

Additional information: Additional information and comments on the financial statements and this opinion are included in my observations at the end of Section 1, Volume 1 of the *Public Accounts of Canada*.

A handwritten signature in dark ink, appearing to read 'L. Denis Desautels', with a large, stylized flourish above the name.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 26, 1999

GOVERNMENT OF CANADA

Statement of Transactions
for the Year Ended March 31, 1999

(in millions of dollars)

| | 1999 | 1998 |
|--|---------------|---------------|
| BUDGETARY TRANSACTIONS | | |
| Revenues..... | 155,671 | 153,162 |
| Expenditures..... | -152,787 | -149,684 |
| Surplus for the year..... | 2,884 | 3,478 |
| NON-BUDGETARY TRANSACTIONS | | |
| Net source from loans, investments and advances..... | 500 | 2,031 |
| Net source from pension and other accounts..... | 7,024 | 3,829 |
| Net source from other transactions..... | 1,083 | 3,391 |
| Net source..... | 8,607 | 9,251 |
| Source of funds (excluding foreign exchange transactions)..... | 11,491 | 12,729 |
| NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS | -5,700 | -2,155 |
| Total source of funds..... | 5,791 | 10,574 |
| NET REQUIREMENT FOR UNMATURED DEBT TRANSACTIONS | -6,864 | -9,561 |
| Decrease (-) or increase in cash..... | -1,073 | 1,013 |
| CASH IN BANK AT BEGINNING OF YEAR⁽¹⁾ | 10,379 | 9,366 |
| CASH IN BANK AT END OF YEAR⁽¹⁾ | 9,306 | 10,379 |

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

In this statement, a positive amount indicates a source of funds and a negative amount indicates a requirement for funds.

⁽¹⁾Cash in bank excludes outstanding cheques, warrants and deposits.

GOVERNMENT OF CANADA

Statement of Revenues, Expenditures and Accumulated Deficit
for the Year Ended March 31, 1999

(in millions of dollars)

| | 1999 | | 1998 | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Gross ⁽¹⁾ | Net ⁽¹⁾ | Gross ⁽¹⁾ | Net ⁽¹⁾ |
| REVENUES (Note 4) | | | | |
| TAX REVENUES— | | | | |
| Income tax— | | | | |
| Personal | 77,707 | 72,488 | 75,672 | 70,787 |
| Corporation | 21,575 | 21,575 | 22,496 | 22,496 |
| Other income tax revenues | 2,901 | 2,901 | 2,974 | 2,974 |
| | 102,183 | 96,964 | 101,142 | 96,257 |
| Excise taxes and duties— | | | | |
| Goods and services tax | 23,534 | 20,684 | 22,353 | 19,461 |
| Energy taxes | 4,716 | 4,716 | 4,638 | 4,638 |
| Customs import duties | 2,359 | 2,359 | 2,766 | 2,766 |
| Other excise taxes and duties | 3,640 | 3,640 | 3,995 | 3,995 |
| | 34,249 | 31,399 | 33,752 | 30,860 |
| Employment insurance premiums | 19,363 | 19,363 | 18,802 | 18,802 |
| TOTAL TAX REVENUES | 155,795 | 147,726 | 153,696 | 145,919 |
| NON-TAX REVENUES— | | | | |
| Return on investments | 5,072 | 4,991 | 4,511 | 4,427 |
| Other non-tax revenues | 6,676 | 2,954 | 6,155 | 2,816 |
| TOTAL NON-TAX REVENUES | 11,748 | 7,945 | 10,666 | 7,243 |
| TOTAL REVENUES | 167,543 | 155,671 | 164,362 | 153,162 |
| EXPENDITURES (Note 5) | | | | |
| TRANSFER PAYMENTS— | | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | 22,285 | 22,781 | 21,758 | 22,225 |
| Other levels of government | 25,523 | 25,523 | 20,504 | 20,504 |
| Employment insurance benefits ⁽²⁾ | 11,884 | 11,884 | 11,842 | 11,842 |
| Canada child tax benefits | 5,715 | | 5,352 | |
| Other transfer payments | 21,585 | 18,735 | 23,557 | 20,664 |
| TOTAL TRANSFER PAYMENTS | 86,992 | 78,923 | 83,013 | 75,235 |
| CROWN CORPORATION EXPENDITURES | 4,995 | 3,497 | 3,775 | 2,548 |
| OTHER PROGRAM EXPENDITURES— | | | | |
| National Defence | 9,125 | 8,781 | 9,240 | 8,879 |
| All other departments and agencies | 22,153 | 20,192 | 22,113 | 20,279 |
| TOTAL OTHER PROGRAM EXPENDITURES | 31,278 | 28,973 | 31,353 | 29,158 |
| TOTAL PROGRAM EXPENDITURES | 123,265 | 111,393 | 118,141 | 106,941 |
| PUBLIC DEBT CHARGES | 41,394 | 41,394 | 40,931 | 40,931 |
| TOTAL EXPENDITURES | 164,659 | 152,787 | 159,072 | 147,872 |
| SURPLUS BEFORE CHANGE IN ACCOUNTING POLICY | 2,884 | 2,884 | 5,290 | 5,290 |
| Change in accounting policy (Note 2) | | | -1,812 | -1,812 |
| SURPLUS FOR THE YEAR | 2,884 | 2,884 | 3,478 | 3,478 |
| ACCUMULATED DEFICIT, BEGINNING OF YEAR | 579,708 | 579,708 | 583,186 | 583,186 |
| ACCUMULATED DEFICIT, END OF YEAR (Note 6) | 576,824 | 576,824 | 579,708 | 579,708 |

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ The difference between Gross and Net is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures and expenditures and tax credits related to the tax system included in revenues.⁽²⁾ Employment insurance benefits exclude administration costs of \$1,360 million (\$1,322 million in 1998) related to the operation of the Employment Insurance Account. These costs have been allocated to other program expenditures.

GOVERNMENT OF CANADA

Statement of Assets and Liabilities
at March 31, 1999

(in millions of dollars)

| | 1999 | 1998 |
|--|----------------|----------------|
| LIABILITIES | | |
| ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES— | | |
| Accounts payable and accrued liabilities | 24,509 | 22,364 |
| Interest and matured debt | 9,791 | 10,419 |
| Allowance for employee benefits | 6,926 | 6,729 |
| Allowance for loan guarantees and for borrowings of Crown corporations | 4,090 | 4,188 |
| TOTAL ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES | 45,316 | 43,700 |
| INTEREST-BEARING DEBT— | | |
| Unmatured debt— | | |
| Payable in Canadian currency— | | |
| Marketable bonds | 295,752 | 294,583 |
| Treasury bills | 96,950 | 112,300 |
| Canada savings bonds | 27,662 | 29,769 |
| Bonds for Canada Pension Plan | 4,063 | 3,456 |
| | 424,427 | 440,108 |
| Payable in foreign currencies | 36,000 | 27,183 |
| Total unmatured debt (Note 7) | 460,427 | 467,291 |
| Pension and other accounts— | | |
| Public sector pensions (Note 8) | 122,407 | 117,457 |
| Canada Pension Plan (net of securities) (Note 9) | 5,427 | 4,205 |
| Other pension and other accounts | 6,724 | 5,872 |
| Total pension and other accounts | 134,558 | 127,534 |
| TOTAL INTEREST-BEARING DEBT | 594,985 | 594,825 |
| TOTAL LIABILITIES | 640,301 | 638,525 |
| ASSETS | | |
| CASH AND ACCOUNTS RECEIVABLE— | | |
| Cash in bank | 9,306 | 10,379 |
| Cash in transit | 5,432 | 4,530 |
| | 14,738 | 14,909 |
| Less outstanding cheques and warrants | 4,045 | 3,218 |
| Total cash | 10,693 | 11,691 |
| Accounts receivable (net of allowance for doubtful accounts of \$2,432 million (\$2,461 million in 1998)) | 4,580 | 4,122 |
| TOTAL CASH AND ACCOUNTS RECEIVABLE | 15,273 | 15,813 |
| FOREIGN EXCHANGE ACCOUNTS (Note 10) | 34,668 | 28,968 |
| LOANS, INVESTMENTS AND ADVANCES— | | |
| Enterprise Crown corporations and other government business enterprises (Notes 11 and 14) | 11,052 | 12,601 |
| National governments, including developing countries and international organizations (Note 12) | 7,555 | 6,869 |
| Provincial and territorial governments and other loans, investments and advances | 3,100 | 2,591 |
| Portfolio investments | 1,241 | 1,241 |
| | 22,948 | 23,302 |
| Less allowance for valuation | 9,412 | 9,266 |
| TOTAL LOANS, INVESTMENTS AND ADVANCES | 13,536 | 14,036 |
| TOTAL ASSETS | 63,477 | 58,817 |
| ACCUMULATED DEFICIT (Note 6) | 576,824 | 579,708 |

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA

Statement of Changes in Financial Position
for the Year Ended March 31, 1999 ⁽¹⁾

(in millions of dollars)

| | 1999 | 1998 |
|--|---------------|---------------|
| OPERATING ACTIVITIES — | | |
| Surplus for the year | 2,884 | 3,478 |
| Expenditures not requiring cash : | | |
| Interest on pension and other accounts | 10,048 | 9,474 |
| Government contribution for employee benefits | 2,116 | 1,773 |
| Provision for valuation of assets and liabilities | -698 | 2,620 |
| | 14,350 | 17,345 |
| Net payments from pension and other accounts | -3,531 | -5,110 |
| Net change in accounts receivable, accounts payable and accruals | 181 | -470 |
| CASH PROVIDED BY OPERATING ACTIVITIES | 11,000 | 11,765 |
| INVESTING ACTIVITIES — | | |
| Net decrease in loans, investments and advances | 566 | 1,467 |
| CASH PROVIDED BY INVESTING ACTIVITIES | 566 | 1,467 |
| FOREIGN EXCHANGE ACTIVITIES — | | |
| Net increase in foreign currencies borrowings | 8,817 | 4,167 |
| Net increase in foreign exchange accounts | -5,700 | -2,155 |
| CASH PROVIDED BY FOREIGN EXCHANGE ACTIVITIES | 3,117 | 2,012 |
| TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES | 14,683 | 15,244 |
| FINANCING ACTIVITIES — | | |
| Net decrease in Canadian currency borrowings | 15,681 | 13,728 |
| CASH USED FOR FINANCING ACTIVITIES | 15,681 | 13,728 |
| Net decrease (-) or increase in cash | -998 | 1,516 |
| CASH AT BEGINNING OF YEAR | 11,691 | 10,175 |
| CASH AT END OF YEAR | 10,693 | 11,691 |

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ The figures in this statement differ from those shown in the Statement of Transactions because the non-cash transactions have been reclassified and shown separately.

Notes to the Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all departments, agencies, corporations and funds are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises which are not dependent on the Government for financing their activities. For these corporations, the Government reports in these financial statements only the cost of its investment and an allowance for valuation which includes their annual net profits and losses. In addition, any amounts receivable from or payable to these corporations are reported. More details on enterprise Crown corporations and other government business enterprises are provided in Note 11.

The Canada Pension Plan is not part of the reporting entity because it is under joint control of the Government and participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, as well as from the income earned on investments. More details on the Canada Pension Plan are provided in Note 9.

Basis of accounting

The Government reports revenues and expenditures on both a gross and net basis. On the net basis, certain expenditures are deducted from revenues and certain revenues are deducted from expenditures as described in Notes 4 and 5.

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. However, cases of tax refunds that are significant and have been appealed to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued, are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the Canada child tax benefit program are charged in the period to which they relate.

Non-tax revenues are reported on an accrual basis.

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid, when the recipient has fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval.

Expenditures include allowances to reflect changes in the value of assets or liabilities at their economic value, amortization of deferred costs and payments made under the terms of capital leases.

Financial claims are recorded as assets, except for those related to tax revenues. Assets are recorded at cost and are subject to annual valuation to reflect reductions from their recorded value to the estimated realizable value. The costs of acquiring land, buildings, structures, equipment and other capital property are recorded as expenditures at the time of acquisition or construction.

Financial obligations to outside organizations or individuals are recorded as liabilities if the underlying event occurred prior to or at year end. Liabilities are recorded at the estimated amount ultimately payable, with such estimates being revised on an annual basis.

Premiums and discounts on public debt are amortized on a straight line basis over the term to maturity of their respective debt instrument. The corresponding amortization is recorded as part of public debt charges.

Concessionary loans

Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are included in full or in part as expenditures when the economic value of these loans is reduced due to their concessionary terms.

Sovereign loans

Loans to sovereign governments are considered collectible unless they are formally repudiated by the debtor. However, the Government has provided allowances on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral or bilateral agreements.

Gold reserves

The Government's gold reserves are included in the international reserves held in the Exchange Fund Account and are valued in relation to international agreements and a basket of four major currencies. More details on gold reserves are provided in Note 10.

Employee benefits

Employees' entitlements to severance and pension benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. For pensions, when actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the employees. More details on public sector pensions are provided in Note 8.

Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expenditure recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. The Government applies exceptions to this policy in respect to claims related to the Government's arrangements with First Nations and to claims for significant tax refunds.

Comprehensive Aboriginal land claims are reported in the notes to the financial statements until such time as a settlement has been ratified by the involved First Nation and provincial or territorial government, and approved by Cabinet, after which they are recorded as liabilities. Other Aboriginal claims that are not being pursued through the courts are recorded as liabilities only after being reviewed and accepted by the Government as valid claims. Aboriginal claims that are being pursued through the courts are reported in the notes to the financial statements until a court decision is made or Cabinet approval to negotiate an out-of-court settlement has been granted.

Claims for significant tax refunds are reported in the notes to the financial statements until all appeals to the Federal Court of Canada or the Supreme Court of Canada have been exhausted or are not expected to be pursued. After this time they are recorded as liabilities. More details on contingent liabilities are provided in Note 15.

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using rates at March 31.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with stated accounting policies requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable. Some of the more significant estimates subject to measurement uncertainty in these financial statements include valuation allowances for loans including sovereign debt, investments and advances, borrowings of Crown corporations and other government business enterprises, employee benefits, pension obligations described in Note 8, future expenditures related to contingent liabilities, transfer payments to other levels of government, and liabilities under provincial and territorial tax collection agreements.

Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. In particular, a reclassification was made for the effect of a change in accounting policy that occurred in 1998 for the calculation of interest costs on obligations for public sector pensions.

2. Change in Accounting Policy in 1998

In 1998, the Government changed its method of accounting for assistance to international financial institutions. Under the new accounting policy, an expenditure is recorded when a note payable is issued to an international financial institution rather than when it is redeemed.

3. Spending and Borrowing Authorities

i. Spending authorities

The authority of Parliament is required before monies can be spent by the Government. Some approvals are given in the form of annually approved limits through appropriation acts. Other approvals come from other legislation in the form of statutory spending authority for specific purposes (for example, old age security). During the year, expenditures were made under the following authorities:

| | (in millions of dollars) | |
|--|--------------------------|---------|
| | 1999 | 1998 |
| Annual spending limits voted by Parliament | 48,398 | 46,477 |
| Expenditures permitted under other legislation | 99,001 | 93,978 |
| Total expenditures authorized | 147,399 | 140,455 |
| Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts | 3,135 | 3,061 |
| Total used | 144,264 | 137,394 |
| Effect of consolidating certain accounts and provision for valuation | 8,523 | 12,290 |
| Net total expenditures ⁽¹⁾ | 152,787 | 149,684 |

⁽¹⁾ The 1998 expenditures include \$1,812 million to reflect the change in accounting policy for assistance to international financial institutions.

The use of budgetary expenditure authorities as reported in the preceding table differs from the total net expenditures reported in the Statement of Revenues, Expenditures and Accumulated Deficit. Certain accounts with separate non-budgetary authorities and certain Crown corporations are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. In addition, the authorities exclude the general provision for valuation of assets and liabilities, which is authorized by section 63 of the *Financial Administration Act*.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$51,576 million (\$51,524 million in 1998) was authorized for loans, investments and advances. A net amount of \$83 million was repaid (\$413 million in 1998), an amount of \$33 million lapsed (\$58 million in 1998) and an amount of \$51,626 million is available for use in subsequent years (\$51,878 million in 1998).

Details (unaudited) about the source and disposition of authorities are provided in Volume II (Part I) of the *Public Accounts of Canada*.

ii. Overexpenditure of spending authorities

During the year, Agriculture and Agri-Food vote 5, Canadian Heritage - Payment to National Capital Commission vote 100, Finance - Office of the Superintendent of Financial Institutions vote 40, Industry - Payment to Enterprise Cape Breton Corporation vote 65, National Defence vote 5 and Privy Council - Security Intelligence Review Committee vote 40, were each overexpended by less than \$50 million.

Details (unaudited) of the overexpended votes can be found in the ministerial sections of Volume II (Part I) of the *Public Accounts of Canada*.

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous years. This authority was not used in 1999 and remains available for future years.

4. Revenues

In the Statement of Revenues, Expenditures and Accumulated Deficit, revenues and expenditures are reported on both a gross and net basis. The difference between the two is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, and expenditures and tax credits related to the tax system. Gross and net transactions are presented in the following tables.

i. Personal income tax

The following table presents details of personal income tax revenues as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

| | (in millions of dollars) | |
|---|--------------------------|--------|
| | 1999 | 1998 |
| Gross personal income tax | 77,707 | 75,672 |
| Less transfer payments: | | |
| Canada child tax benefit payments | 5,715 | 5,352 |
| Old Age Security benefit repayments | -496 | -467 |
| Net personal income tax | 72,488 | 70,787 |

Details (unaudited) can be found in Section 3 of this volume.

ii. Excise taxes and duties

The following table presents details of the revenues from the goods and services tax (GST), as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

| | (in millions of dollars) | |
|------------------------------------|--------------------------|--------|
| | 1999 | 1998 |
| GST and HST received | 50,174 | 46,986 |
| Less: | | |
| Refunds | 22,162 | 20,500 |
| Rebates | 1,909 | 1,741 |
| GST paid by ministries | 907 | 922 |
| Transfer of HST to provinces | 1,662 | 1,470 |
| Gross GST | 23,534 | 22,353 |
| Less other transfer payments— | | |
| Quarterly tax credits | 2,850 | 2,892 |
| Net GST | 20,684 | 19,461 |

Details (unaudited) can be found in Section 3 of this volume.

Amounts include harmonized sales tax (HST) where applicable. GST and HST received are reported net of offsetting refunds and rebates claimed by registrants. Refunds and rebates are reported net of GST and HST collected by registrants. Transfers of HST to participating provinces are calculated in accordance with formulae contained in Sales Tax Harmonization Agreements.

iii. Non-tax revenues

The following table presents details of non-tax revenues as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

| | (in millions of dollars) | |
|---|--------------------------|-------|
| | 1999 | 1998 |
| Gross return on investments | | |
| Loans, investments and advances | 2,755 | 2,604 |
| Foreign exchange accounts | 1,737 | 1,379 |
| Other | 580 | 528 |
| | 5,072 | 4,511 |
| Less: | | |
| Other program expenditures— | | |
| Revenues netted against expenditures | 41 | 47 |
| Crown corporation expenditures— | | |
| Revenues of consolidated Crown corporations | 40 | 37 |
| Net return on investments | 4,991 | 4,427 |
| Gross other non-tax revenues | 6,676 | 6,155 |
| Less: | | |
| Other program expenditures— | | |
| Revenues netted against expenditures | 2,264 | 2,149 |
| Crown corporation expenditures— | | |
| Revenues of consolidated Crown corporations | 1,458 | 1,190 |
| Net other non-tax revenues | 2,954 | 2,816 |

Details (unaudited) can be found in Section 3 of this volume.

5. Expenditures

Expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit are as follows:

i. By type of resources acquired or disbursements made

| | | (in millions of dollars) | |
|-----------------|--|--------------------------|---------|
| Standard Object | | 1999 | 1998 |
| (1) | Personnel | 16,348 | 16,342 |
| (2) | Transportation and communications .. | 1,733 | 1,859 |
| (3) | Information | 337 | 319 |
| (4) | Professional and special services | 4,007 | 3,515 |
| (5) | Rentals | 1,105 | 1,036 |
| (6) | Purchased repair and maintenance | 1,502 | 1,349 |
| (7) | Utilities, materials and supplies | 2,700 | 2,527 |
| (8) | Construction and acquisition of land, buildings and works | 743 | 913 |
| (9) | Construction and acquisition of machinery and equipment | 2,312 | 2,332 |
| (12) | Other subsidies and payments | 5,486 | 4,936 |
| | | 36,273 | 35,128 |
| (13) | Less: | | |
| | Revenues netted against expenditures | 2,305 | 2,196 |
| | Revenues of consolidated Crown corporations | 1,498 | 1,227 |
| | Net total—Other program and Crown corporation expenditures | 32,470 | 31,705 |
| (10) | Gross transfer payments ⁽¹⁾ | 86,992 | 84,825 |
| | Less tax credits and repayments | 8,069 | 7,777 |
| | Net transfer payments ⁽¹⁾ | 78,923 | 77,048 |
| | Total net program expenditures | 111,393 | 108,753 |
| (11) | Public debt charges | 41,394 | 40,931 |
| | Total net expenditures | 152,787 | 149,684 |
| | Change in accounting policy (Note 2) | | -1,812 |
| | Total net expenditures before change in accounting policy | 152,787 | 147,872 |

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

⁽¹⁾ The 1998 amount includes \$1,812 million to reflect the change in accounting policy for assistance to international financial institutions.

ii. Transfer payments to other levels of government

| | | (in millions of dollars) | |
|---|--|--------------------------|--------|
| | | 1999 | 1998 |
| Canada health and social transfer ⁽¹⁾ | | 16,018 | 12,421 |
| Fiscal arrangements | | 11,645 | 10,000 |
| Canada Assistance Plan | | 8 | 24 |
| Education support | | | 5 |
| Insurance and medical care | | 2 | 162 |
| Alternative payments for standing programs ⁽²⁾ | | -2,150 | -2,108 |
| Total expenditures | | 25,523 | 20,504 |

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

⁽¹⁾ Refer to explanation at the following paragraph vi.

⁽²⁾ This amount represents reduced transfer payments to one province where that province and the Federal Government have entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

iii. Other transfer payments by ministry

| | | (in millions of dollars) | |
|---|--|--------------------------|--------|
| | | 1999 | 1998 |
| Foreign Affairs and International Trade | | 2,065 | 2,084 |
| Health | | 1,180 | 902 |
| Human Resources Development | | 2,429 | 2,076 |
| Indian Affairs and Northern Development | | 4,451 | 3,978 |
| Industry | | 2,282 | 2,977 |
| Veterans Affairs | | 1,377 | 1,374 |
| Other ministries | | 4,951 | 9,085 |
| Total | | 18,735 | 22,476 |
| Change in accounting policy (Note 2) | | | -1,812 |
| Total net expenditures before change in accounting policy | | 18,735 | 20,664 |

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

iv. Other program expenditures by ministry excluding National Defence

| | | (in millions of dollars) | |
|---|--|--------------------------|--------|
| | | 1999 | 1998 |
| Fisheries and Oceans | | 1,080 | 1,092 |
| Foreign Affairs and International Trade | | 1,248 | 1,153 |
| Health | | 1,083 | 974 |
| Human Resources Development | | 1,858 | 1,505 |
| Industry | | 1,719 | 1,536 |
| National Revenue | | 2,581 | 2,199 |
| Public Works and Government Services | | 1,904 | 1,824 |
| Solicitor General | | 2,664 | 2,637 |
| Other ministries | | 6,055 | 7,359 |
| Total net expenditures | | 20,192 | 20,279 |

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

v. *Public debt charges*

| | (in millions of dollars) | |
|---|--------------------------|--------|
| | 1999 | 1998 |
| Interest on— | | |
| Unmatured debt | 26,052 | 26,289 |
| Pension and other accounts | 10,153 | 9,553 |
| Amortization of discounts on Canada and Treasury bills | 4,765 | 4,742 |
| Amortization of premiums, discounts and commissions on all other debt | 279 | 197 |
| Servicing costs and costs of issuing new borrowings | 145 | 150 |
| Total public debt charges | 41,394 | 40,931 |

Details (unaudited) can be found in Section 3 of this volume.

vi. *Significant transaction**Canada Health and Social Transfer (CHST) supplement*

In the February 1999 Budget, the Government announced a decision to provide a one-time supplement to the CHST of \$3,500 million from funds available in fiscal year 1998-99. Legislation authorizing the payment of the cash contribution to a trust account received parliamentary approval in June 1999. The Government recorded the CHST supplement as a liability at March 31, 1999 and charged \$3,500 million to transfer payments to other levels of government.

6. **Accumulated Deficit**

The Government includes in its revenues and expenditures, the transactions of consolidated Crown corporations and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified purposes accounts be identified and that related payments be charged against such revenues. Any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the retained earnings of the consolidated Crown corporations included in the accumulated deficit:

| | (in millions of dollars) | |
|---|--------------------------|---------|
| | 1999 | 1998 |
| Accumulated deficit excluding consolidated accounts | 596,461 | 592,142 |
| Consolidated accounts— | | |
| Employment Insurance Account | -20,147 | -12,860 |
| Western Grain Stabilization Account | 1,085 | 1,085 |
| Other insurance accounts | -281 | -270 |
| Other consolidated accounts | -300 | -381 |
| | 576,818 | 579,716 |
| Consolidated Crown corporations | 6 | -8 |
| Accumulated deficit | 576,824 | 579,708 |

Details (unaudited) can be found in Section 4 of this volume.

7. Unmatured Debt and Other Financial Instruments

i. Unmatured debt

The following table presents maturity of debt issues and interest rates by currency and type at face value.

| (in millions of dollars) | | | | | | | | |
|--|----------------------|--|----------------|-------------------------------------|-------------------------------|--------------------------------|---|---------|
| Maturing year | Marketable bonds | | | Canada savings bonds ⁽²⁾ | Bonds for Canada Pension Plan | Canada bills | Notes ⁽³⁾ | Total |
| | Canadian \$ | Foreign ⁽¹⁾ currency expressed in Canadian \$ | Treasury bills | | | US \$ expressed in Canadian \$ | Foreign currency expressed in Canadian \$ | |
| 2000 | 44,903 | | 96,950 | | 636 | 10,171 | 718 | 153,378 |
| 2001 | 33,950 | 2,263 | | | 23 | | 678 | 36,914 |
| 2002 | 28,121 | 1,508 | | 2,132 | 18 | | 808 | 32,587 |
| 2003 | 21,566 | 4,526 | | 1,935 | 18 | | | 28,045 |
| 2004 | 28,030 | | | 2,762 | 17 | | 98 | 30,907 |
| 2005 and subsequent | 139,204 | 11,350 | | 21,388 | 3,351 | | 3,880 | 179,173 |
| | 295,774 | 19,647 | 96,950 | 28,217 | 4,063 | 10,171 | 6,182 | 461,004 |
| Less Government's holdings of unmatured debt | 22 | | | 555 | | | | 577 |
| | 295,752 | 19,647 | 96,950 | 27,662 | 4,063 | 10,171 | 6,182 | 460,427 |
| Nature of interest rate ⁽⁴⁾ | Fixed ⁽⁵⁾ | Fixed | Variable | Variable | Fixed | Variable | Fixed ⁽⁶⁾ | |
| Effective average annual interest rate excluding swaps | 7.62 | 5.83 | 4.94 | 4.28 | 9.39 | 4.81 | 4.70 | |
| Range of interest rates | 4-15.75 | 4.875-6.75 | 4.61-5.83 | 3.5-5.0 | 4.66-17.51 | 4.59-5.14 | 1.9-6.68 | |

Details (unaudited) can be found in Section 6 of this volume.

⁽¹⁾ Includes marketable bonds that were issued in US dollars and in other currencies.

⁽²⁾ Canada savings bonds are redeemable on demand.

⁽³⁾ Foreign currency notes are comprised of Canada notes issued in US dollars and Euro medium-term notes issued in US dollars and foreign currencies.

⁽⁴⁾ Debt with maturity terms of less than one year is considered to have a variable interest rate.

⁽⁵⁾ Includes real return bonds which have a variable component based on the consumer price index.

⁽⁶⁾ Includes medium-term notes which have variable rates.

ii. Derivative financial instruments and foreign currency contracts

(a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars, and other currencies. The Government has entered into interest rate and cross currency swap agreements to facilitate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the case of cross currency swap agreements, Canadian dollar and other foreign currency

debt has been converted into US dollars with either fixed interest rates or variable interest rates tied to the LIBOR. As a normal practice, the Government swap positions are held to maturity. The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges in the Statement of Revenues, Expenditures and Accumulated Deficit.

Swaps with contractual or notional principal amounts outstanding at March 31, 1999 are as follow:

| Maturing year | (in millions of dollars) | | | |
|---------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 1999 | | 1998 | |
| | Interest rate swaps Canadian \$ | Cross currency swaps Canadian \$ | Interest rate swaps Canadian \$ | Cross currency swaps Canadian \$ |
| 1999 | | | 1,350 | |
| 2000 | 500 | 439 | 500 | 400 |
| 2001 | | 30 | | 25 |
| 2002 | 702 | 1,400 | 250 | 1,360 |
| 2003 | | 2,852 | | 2,633 |
| 2004 | 50 | 2,288 | 50 | 4,391 |
| 2005 and subsequent | 1,849 | 9,687 | | |
| | 3,101 | 16,696 | 2,150 | 8,809 |

(b) Credit risk to swap agreements

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings of at least Standard & Poor's AA- for swaps with remaining maturity terms between 3 and 10.5 years and at least A for terms of up to 3 years.

The Government does not anticipate any significant credit loss with respect to its swap agreements.

The following table presents the swap agreements by internationally accepted ratings assigned by Standard & Poor's:

| Standard & Poor's | (in millions of dollars) | |
|-------------------|--------------------------|--------|
| | 1999 | 1998 |
| AAA | 525 | |
| AA+ | 6,029 | 4,031 |
| AA | 1,121 | 1,383 |
| AA- | 7,876 | 5,395 |
| A+ | 4,246 | |
| A | | 150 |
| | 19,797 | 10,959 |

(c) Foreign currency contracts

The Government has entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's foreign exchange accounts. Canada's IMF Reserve Position is denominated in Special Drawing Rights (SDRs). The hedging transactions involve the forward purchase and sale of the composite currencies of the SDRs (i.e. Euro, US dollar, Pound sterling and Japanese yen. The Deutsche mark and French franc were also composite SDR currencies prior to the introduction of the Euro on January 1, 1999).

As at March 31, 1999 the notional value of these outstanding forward currency contracts is \$12,240 million (\$5,720 million in 1998) and the unrealized gain which is not recognized in the books is \$62 million (\$63 million in 1998). All forward currency transactions have a maximum term of about 12 months or less. The Government manages its exposure to forward currency contract counterparties by dealing principally with financial institutions having credit ratings of at least AA-, based on the Standard & Poor's international long-term credit rating.

The Canadian dollar notional values of the forward currency contracts outstanding as at March 31 are presented in the following table:

| Currency | (in millions of Canadian dollars) | | | |
|---------------------|-----------------------------------|----------------------------|------------------------|----------------------------|
| | 1999 | | 1998 | |
| | Forward sale contracts | Forward purchase contracts | Forward sale contracts | Forward purchase contracts |
| US dollar..... | 4,806 | 3,690 | 2,704 | 1,533 |
| Deutsche mark..... | 678 | | 513 | |
| Japanese yen..... | 770 | | 449 | |
| Pound sterling..... | 387 | | 256 | |
| French franc..... | 343 | | 265 | |
| Euro..... | 892 | 674 | | |
| Total..... | 7,876 | 4,364 | 4,187 | 1,533 |

iii. Fair values of financial instruments

(a) Financial assets and liabilities

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government's estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values are assumed to approximate carrying values where no market exists.

Fair values may not reflect future market conditions nor the actual values obtainable should the instruments be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to unpredictability of future events.

| Financial assets and liabilities | (in millions of Canadian dollars) | | | | | |
|--|-----------------------------------|------------|------------|----------------|------------|------------|
| | 1999 | | | 1998 | | |
| | Carrying Value | Fair Value | Difference | Carrying Value | Fair Value | Difference |
| Financial Assets | | | | | | |
| Cash..... | 10,693 | 10,693 | | 11,691 | 11,691 | |
| Accounts receivable..... | 4,580 | 4,580 | | 4,122 | 4,122 | |
| Foreign exchange accounts..... | 34,668 | 35,473 | 805 | 28,968 | 30,082 | 1,114 |
| Loans investments and advances excluding investments in enterprise Crown corporations..... | 11,641 | 11,949 | 308 | 12,626 | 13,312 | 686 |
| Liabilities | | | | | | |
| Accounts payable, accruals and allowances..... | 45,316 | 45,316 | | 43,700 | 43,700 | |
| Unmatured debt..... | 460,427 | 508,615 | -48,188 | 467,291 | 509,070 | -41,779 |
| Pension and other accounts..... | 129,131 | 116,388 | 12,743 | 123,329 | 106,775 | 16,554 |
| Canada Pension Plan deposit..... | 5,427 | 5,427 | | 4,205 | 4,205 | |
| Net fair value in excess of carrying value..... | | | -34,332 | | | -23,425 |

Fair values are determined using the following methods and assumptions:

The carrying values of short-term financial instruments are assumed to approximate their fair values due to their short-term maturity. These include cash, accounts receivable, accounts payable, accruals and allowances, and the Canada Pension Plan deposit.

Short-term financial claims and obligations denominated in foreign currencies in the foreign exchange accounts are reported at Canadian dollar equivalents at March 31, which is assumed to approximate fair value. Fair values of gold reserves held in the foreign exchange accounts reflect market values at year-end.

Fair values of loans to enterprise Crown corporations are generally established by using their carrying values. For portfolio investments, market values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are used to reduce the carrying value of these items to amounts that approximate their estimated realizable value.

Marketable bonds (denominated in Canadian dollars and foreign currencies), treasury bills (issued in Canadian dollars) and Euro medium-term notes are valued at market. Fair values of other instruments comprising the

unmatured debt are deemed to approximate carrying values due to their short life span or their non-negotiable nature.

The fair values of pension liabilities are assumed to approximate actuarial liabilities. These are established by projecting benefits expected to be paid in the future and calculating their present value.

(b) Derivative financial instruments and foreign currency contracts

The following table presents the fair value of derivative financial instruments and foreign currency contracts with contractual or notional principal amounts outstanding at March 31:

| | (in millions of dollars) | | | |
|--|--------------------------|------------|----------------|------------|
| | 1999 | | 1998 | |
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Interest rate and cross currency swaps | 19,797 | -289 | 10,959 | 337 |
| Foreign currency contracts— | | | | |
| Forward sales | 7,876 | 69 | 4,187 | 8 |
| Forward purchases | 4,364 | -7 | 1,533 | 55 |

Fair values of the swap agreements are the estimated amount the counterparty would receive or pay to hypothetically terminate the agreement based on market factors.

Fair values of the forward contracts are estimated based on year-end spot rates and approximate the estimated amounts required to close out the position.

8. Public Sector Pensions

The Government is responsible for defined benefit pension plans covering substantially all of its full-time employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Crown corporations) as well as federally appointed judges and Members of Parliament. Pension benefits are generally calculated by reference to highest earnings for a specified period of time. They are related to years of service and are indexed to inflation. Separate market invested funds are not set aside to provide for payment of these pension benefits.

Annually, pension obligations are estimated by projecting benefits expected to be paid in the future and calculating their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, general wage increases, workforce composition, retirement rates and mortality rates. The long-term rate of inflation used in the valuation is 2.0 percent.

The Government uses its best estimates for the assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of liabilities. For example, an increase of 1 percent in the inflation rate would increase the pension liability by approximately \$13,900 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$14,400 million.

The pension liability recorded in the financial statements is comprised of the accrued benefit obligation determined as of March 31, 1999, which amounted to \$109,664 million (\$100,903 million in 1998) and unamortized pension adjustments of \$12,743 million (\$16,554 million in 1998). Pension adjustments arise when actual experience varies from estimates and will be amortized over periods ranging from 7 to 14 years, which will affect expenditures in those years.

The formula to calculate the pension benefits for Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans was amended on June 17, 1999 through the *Budget Implementation Act, 1999*. As well, on November 18, 1998, the *Judges Act* was amended to add an early retirement provision to the Judges pension plan. The March 31, 1999 accrued benefit obligation incorporates the cost of providing these benefits to existing contributors and pensioners. The one time effect of these plan amendments is estimated at \$1,195 million and is charged to pension related expenditure.

Interest at the Government's long-term bond rate (9.6 percent in 1999 and 9.9 percent in 1998) is calculated on actuarial obligations and is reported as part of public debt charges. Charges to expenditures are summarized as follows:

| | (in millions of dollars) | |
|--|--------------------------|--------|
| | 1999 | 1998 |
| Employer contributions ⁽¹⁾ | 1,919 | 1,615 |
| Pension plan amendment costs | 1,195 | |
| Statutory payments under various acts | 90 | 94 |
| Pension costs attributable to Public Service restructuring | -222 | 525 |
| Amortization of estimation adjustments | -2,341 | -2,440 |
| Net pension costs | 641 | -206 |
| Interest charged to public debt charges | 9,468 | 9,016 |
| Total pension related expenditure | 10,109 | 8,810 |

Details (unaudited) can be found in Section 6 of this volume.

⁽¹⁾ Net of \$241 million (\$393 million in 1998) already recorded in pension related expenditure of previous years.

9. Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan (the Plan) are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada

Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in securities of provinces, territories and Canada. The Board was created on April 1, 1998 to help the Plan achieve its steady-state funding by earning investment returns on funds transferred from the Account.

The Plan's deposit with the Receiver General for Canada is reported as the liability at March 31 and represents the balance in the Account, net of short-term investments in Canada bonds and securities held by the Fund and the Board.

A summary of the financial activities of the Plan is presented as follows:

| | (in millions of dollars) | |
|--|--------------------------|---------|
| | 1999 | 1998 |
| Canada Pension Plan — | | |
| Balance at beginning of year | 36,664 | 37,759 |
| Contributions received | 14,800 | 12,790 |
| Investment income | 3,926 | 3,950 |
| Pensions and benefits paid | -18,195 | -17,537 |
| Administration expenditures | -304 | -298 |
| Balance at end of year | 36,891 | 36,664 |
| Invested in— | | |
| Canada Pension Plan Investment Fund | | |
| Provincial and territorial securities | 27,389 | 29,003 |
| Canada bonds | 3,444 | 3,456 |
| Canada Pension Plan Account | | |
| Deposit with the Receiver General for Canada | 5,427 | 4,205 |
| Short-term investment in Canada bonds | 619 | |
| Canada Pension Plan Investment Board | 12 | |
| | 36,891 | 36,664 |

Details (unaudited) and the financial statements of the Plan are included in Section 6 of this volume.

As administrator, the Government's authority to spend is limited to the balance of the Plan of \$36,891 million (\$36,664 million in 1998). Governing legislation does not require the Plan obligations to be determined on an actuarial basis. The balance in the Plan is anticipated to increase to and be maintained at, over time, approximately five times the projected annual payments for the following year. The *Seventeenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions provides further discussion on the funding of the Plan.

10. Foreign Exchange Accounts

i. Foreign exchange accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations.

The following table presents the balances of foreign exchange accounts:

| | (in millions of dollars) | |
|--|--------------------------|--------|
| | 1999 | 1998 |
| International reserves held in the Exchange Fund Account | 31,855 | 28,198 |
| International Monetary Fund— | | |
| Subscriptions | 13,048 | 8,194 |
| | 44,903 | 36,392 |
| Less: | | |
| International Monetary Fund— | | |
| Notes payable | 8,639 | 5,946 |
| Special drawing rights allocations | 1,596 | 1,478 |
| | 10,235 | 7,424 |
| Total foreign exchange accounts | 34,668 | 28,968 |

Details (unaudited) can be found in Section 8 of this volume.

ii. Gold reserves

The Government keeps certain investments in its Exchange Fund Account to aid in the control and protection of the external value of the Canadian dollar. Part of these investments is kept in the form of gold: 2.3 million fine ounces (3.1 million fine ounces in 1998). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$71.70 per fine ounce (\$66.38 in 1998), which approximates cost. An SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of four major currencies (the Euro, US dollar, Pound sterling and Japanese yen. The Deutsche mark and French franc were also composite SDR currencies prior to the introduction of the Euro on January 1, 1999). This valuation results in a recorded value of \$165 million (\$205 million in 1998), which is much lower than the market value of \$970 million (\$1,319 million in 1998) using a value of \$421.61 per fine ounce (\$427.36 in 1998).

Further details are provided in the financial statements of the Exchange Fund Account in Section 8 of this volume.

11. Crown Corporations and Other Government Business Enterprises

The Government wholly owns fifty-one corporations referred to as Crown corporations within the meaning of the *Financial Administration Act*.

Some of these Crown corporations rely on the Government for most of their financing. There are twenty-one such corporations (twenty-two in 1998) whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

Other Crown corporations are government business enterprises that are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining. These Crown corporations are called enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Corporation.

Commencing this year, there is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and accountable to either Parliament or to a Minister. These are referred to as other government business enterprises and include the Canadian Wheat Board and the Port Authorities of Halifax, Montreal and Vancouver.

For enterprise Crown corporations and other government business enterprises, in addition to recording the Government's investment in these corporations as described below, the Government reports any amounts receivable from or payable to these corporations and records an allowance for valuation which includes the annual net profits and losses of the corporations. Their assets and liabilities are not included in these financial statements, except for their borrowings which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations.

Details of enterprise Crown corporations and other government business enterprises are included in Section 9 of this volume.

The following table presents the Government's recorded financial assets for enterprise Crown corporations and other government business enterprises. Of this amount, \$3,592 million (\$3,440 million in 1998) represents investments in capital stock and contributed capital of the corporations. The balance represents loans and advances made by the Government.

| | (in millions of dollars) | |
|--|--------------------------|--------|
| | 1999 | 1998 |
| Canada Mortgage and Housing Corporation..... | 6,323 | 6,733 |
| Farm Credit Corporation..... | 2,209 | 3,045 |
| Export Development Corporation..... | 983 | 983 |
| Canada Deposit Insurance Corporation..... | | 395 |
| Business Development Bank of Canada..... | 454 | 403 |
| Other..... | 1,083 | 1,042 |
| Total..... | 11,052 | 12,601 |

Details (unaudited) can be found in Section 9 of this volume.

Financial results for the enterprise Crown corporations and other government business enterprises are summarized as follows:

| | (in millions of dollars) | |
|--|--------------------------|--------|
| | 1999 | 1998 |
| Assets (including capital assets and deferred charges of \$5,358 (\$5,909 in 1998))..... | 97,099 | 89,481 |
| Liabilities..... | 91,312 | 83,857 |
| Net equity..... | 5,787 | 5,624 |
| Revenues..... | 19,341 | 20,310 |
| Expenses..... | 16,828 | 18,167 |
| Net income for the year..... | 2,513 | 2,143 |
| Other changes in equity | | |
| Dividends ⁽¹⁾ | -1,976 | -1,555 |
| Other..... | -374 | 263 |
| | 163 | 851 |
| Opening net equity..... | 5,624 | 4,773 |
| Closing net equity..... | 5,787 | 5,624 |
| Contractual commitments..... | 8,665 | 9,952 |
| Contingent liabilities..... | 1,983 | 627 |

Details (unaudited) can be found in Section 9 of this volume.

⁽¹⁾ Amounts reported as dividends include \$1,704 million (\$1,509 million in 1998) from the Bank of Canada.

Financial statements of all Crown corporations are included in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

12. National Governments, including Developing Countries and International Organizations

i. Loans to developing countries

Included in loans to national governments of \$3,336 million (\$2,859 million in 1998) are loans to developing countries of \$1,525 million (\$1,586 million in 1998). Due to the concessionary nature of these loans (extended terms, low interest rates or no

interest), loans signed before April 1, 1986 have been fully provided for in the allowance for valuation of assets. Any repayments received on these loans are included in revenues when received. All similar loans disbursed after April 1, 1986 have been treated as budgetary expenditures.

Details (unaudited) can be found in Section 9 of this volume.

ii. Loans, investments and advances to international organizations

Loans, investments and advances to international organizations, including development banks and their related funds, total \$4,219 million (\$4,010 million in 1998). Generally, advances to the funds are considered to be of a concessionary nature as the monies are loaned to developing countries on beneficial terms. Accordingly, advances to the funds prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets. Advances to the funds after April 1, 1986 have been treated as budgetary expenditures.

Details (unaudited) can be found in Section 9 of this volume.

13. Contractual Commitments

The nature of government activity results in some large multi-year contracts and obligations. Major contractual commitments that can be reasonably estimated are summarized as follows:

| | (in millions of dollars) | |
|--|--------------------------|--------|
| | 1999 | 1998 |
| Transfer payment agreements..... | 13,913 | 13,669 |
| Acquisition of property and equipment, and goods and services..... | 5,677 | 4,435 |
| Benefit plans for veterans..... | 5,830 | 5,750 |
| Operating and capital leases..... | 3,917 | 4,074 |
| International organizations..... | 1,371 | 1,290 |
| Pension liability under Continuation Acts..... | 160 | 185 |
| | 30,868 | 29,403 |

Details (unaudited) can be found in Section 10 of this volume.

Estimated expenditures against these commitments in future years are as follows:

| Year | (in millions of dollars) |
|---------------------------|--------------------------|
| 2000 | 7,953 |
| 2001 | 5,993 |
| 2002 | 4,992 |
| 2003 | 4,078 |
| 2004 | 3,596 |
| 2005 and subsequent | 4,256 |
| | 30,868 |

Details (unaudited) can be found in Section 10 of this volume.

i. Transfer payment agreements

Included in the transfer payment agreements commitments of \$13,913 million (\$13,669 million in 1998) is an amount of \$8,884 million (\$9,035 million in 1998) related to various contractual obligations of the Government through Canada Mortgage and Housing Corporation (CMHC) for social housing programs. These agreements are made to provide funding for projects for up to 40 years. Honouring these obligations currently amounts to about \$1,800 million per year. Uncertainty in forecasting makes estimates beyond the year 2004 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2004.

ii. Benefit plans for veterans

Under the *Pension Act*, the Government provides pensions and benefits for disability or death arising from military service. Estimated annual expenditures under this Act will approximate \$1,200 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2004 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only the period to 2004.

iii. Operating and capital leases

Capital leases have various terms up to 50 years. Of the total of \$3,917 million (\$4,074 million in 1998) in operating and capital leases, \$2,706 million (\$2,827 million in 1998) represents future payments for capital leases. Of this, \$1,501 million (\$1,600 million in 1998) is imputed interest and executory costs.

14. Insurance Programs

Three enterprise Crown corporations, whose financial affairs are not consolidated with these financial statements, operate insurance programs for the Govern-

ment. In the event the corporations have insufficient funds, the Government will have to provide financing.

Canada Deposit Insurance Corporation provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company. Total insured deposits at March 31, 1999 amounted to \$307,998 million (\$305,014 million in 1998). At March 31, 1999, the fund has a surplus of \$27 million (\$539 million deficit in 1998). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 1999 was \$183,000 million (\$168,900 million in 1998). The Fund has a surplus of \$231 million at March 31, 1999 (\$21 million in 1998). Budgetary financial assistance, although rare, is provided at the discretion of the Government.

Export Development Corporation (EDC) provides export and foreign investment insurance to help with export trade. Insurance in force at March 31, 1999 was \$10,224 million (\$11,500 million in 1998). The EDC insurance portfolio has a surplus of \$308 million at March 31, 1999 (\$252 million in 1998). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Details (unaudited) can be found in Section 10 of this volume.

15. Contingent Liabilities

Contingent liabilities which may become actual liabilities, are classified into three categories: guarantees by the Government, international organizations, and claims and pending and threatened litigation. The Government is confident that any ultimate settlement on these contingent liabilities will be for amounts significantly lower than those being disclosed.

i. Guarantees by the Government

Guarantees by the Government at March 31, 1999 amounted to \$43,655 million net of an allowance of \$4,090 million (\$39,418 million net of an allowance of \$4,188 million in 1998). The Government records an allowance for losses on loan guarantees and for borrowings of enterprise Crown corporations and other government business enterprises when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. All other loan guarantees are reported as contingencies.

ii. *International Organizations*

Contingent liabilities related to international organizations at March 31, 1999 amounted to \$18,104 million (\$17,097 million in 1998). The Government has callable share capital in certain international organizations that could require payments to those agencies.

iii. *Claims and pending and threatened litigation*

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. The total amount claimed in these actions, including a number where an amount is not specified, and their outcomes are not determinable. Certain large and significant claims are described below:

Aboriginal and comprehensive land claims: Aboriginal claims with specific amounts totalling to approximately \$200,000 million and comprehensive Aboriginal land claims amounting to \$742 million (\$756 million in 1998) are known to the Government. The Government is aware of an additional 2,000 potential claims currently being researched by First Nations. A reliable estimate of potential liability cannot be made at this time.

Health-related claims: There are a number of individual as well as class action suits which have been commenced against the Government with allegations of negligence. Because of the complexity involved in determining any federal obligation, particularly in relation to Hepatitis C claims which represent the majority of cases, a reliable estimate of potential costs cannot be made at this time. However, in May 1999, a final proposed settlement agreement of \$1,118 million, plus interest, was reached by federal, provincial and territorial Health Ministers, together with counsel for Canadians infected with Hepatitis C through the Canadian blood system between January 1, 1986 and July 1, 1990. This agreement is now subject to the formal approval of the Courts in Quebec, Ontario and British Columbia. Upon approvals by the Courts, the settlement agreement would become binding upon expiry of the appeals periods.

Significant tax refunds: There are \$574 million (\$1,188 million in 1998) in claims or litigation relating to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1999.

Further details (unaudited) can be found in Section 10 of this volume.

16. **Environmental Liabilities**

While estimates of total radioactive and non-radioactive waste clean-up costs for Canada have ranged as high as \$30,000 million, much of this amount is clearly the responsibility of other levels of government and the private sector. Progress has been made in the identification and cataloguing of suspected contaminated sites, however, the process of assessing the nature and level of contamination on these sites, and the consequent preparation and costing of a remediation plan, is technically challenging and time consuming. While reasonable estimates of the costs attributable to the Government are not yet available, the Government will continue to work toward the determination and recognition of environmental liabilities in accordance with generally accepted accounting principles.

17. **Uncertainty due to the Year 2000 Issue**

The Year 2000 issue relates to the Government's computerized systems' use of two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as some other date, resulting in errors when information using Year 2000 dates is processed. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Government's ability to conduct its operations.

The Government is working to resolve the potential adverse impacts of the Year 2000 issue on its operations. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting government operations will be fully resolved prior to December 31, 1999 including those related to non-government entities who exchange information with the Government's systems and facilitate the Government's operations.

SUPPLEMENTARY STATEMENT

In the February 1991 Budget, the Government introduced measures aimed at improving its financial and economic position. These measures included proposals for a *Debt Servicing and Reduction Account Act*. On June 18, 1992, the Act was passed by Parliament with implementation for the 1991-92 fiscal year.

The *Debt Servicing and Reduction Account Act* calls for certain revenues including the goods and services tax (GST) to be used to service the public debt and not to fund new program spending. Transactions in respect of this Act are reported in the following statement.


OPINION OF THE AUDITOR GENERAL ON THE STATEMENT OF TRANSACTIONS OF THE DEBT SERVICING AND REDUCTION ACCOUNT

To the House of Commons:

I have audited the statement of transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1999. This financial statement is the responsibility of the Government of Canada. My responsibility, as required by section 9 of the *Debt Servicing and Reduction Account Act*, is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1999 in accordance with the *Debt Servicing and Reduction Account Act* and the stated accounting policies of the Government of Canada set out in Note 2 to the financial statement. As required by section 9 of the *Debt Servicing and Reduction Account Act*, I report that, in my opinion, these stated accounting policies have been applied on a basis consistent with that of the preceding year.



L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 26, 1999

Debt Servicing and Reduction Account
Statement of Transactions
for the Year Ended March 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|---|------------|------------|
| Goods and services tax and harmonized sales tax received | 50,173,680 | 46,986,058 |
| Less: Refunds | 22,161,813 | 20,499,723 |
| Rebates | 1,908,794 | 1,741,119 |
| Amounts paid by ministries | 907,160 | 921,700 |
| Quarterly tax credits | 2,849,817 | 2,891,725 |
| Transfer of harmonized sales tax to provinces | 1,662,202 | 1,470,466 |
| | 29,489,786 | 27,524,733 |
| Net goods and services tax | 20,683,894 | 19,461,325 |
| Penalties and interest received | | |
| for goods and services tax | 122,645 | 126,875 |
| Gifts to the Crown | 1,232 | 176 |
| Proceeds credited to the Account | 20,807,771 | 19,588,376 |
| Public debt expenditures charged to the Account | | |
| Public debt expenditures chargeable to the Account (Note 3) | 30,849,779 | 31,016,878 |
| Less amount in excess of the Account's balance (Note 4) | 10,042,008 | 11,428,502 |
| | 20,807,771 | 19,588,376 |
| Account balance, end of year | NIL | NIL |

The accompanying notes are an integral part of this statement.

**Notes to the Statement of Transactions of
the Debt Servicing and Reduction Account**

1. Authority and Objective

On June 18, 1992, the *Debt Servicing and Reduction Account Act* received Royal Assent. Section 8 of the Act requires that the *Public Accounts of Canada* for 1991-92 and each subsequent year contain a statement setting out the transactions in that year with respect to the Debt Servicing and Reduction Account (the Account).

On March 20, 1997, the *Debt Servicing and Reduction Account Act* was amended to reflect changes to the *Federal-Provincial Fiscal Arrangements Act* implementing Sales Tax Harmonization Agreements with concerned provinces, which became effective April 1, 1997.

The objective of the *Debt Servicing and Reduction Account Act* is to apply certain Government revenues against charges associated with the public debt. These revenues include goods and services tax, certain gains on disposals of investments in Crown corporations, and gifts to the Crown. The transactions recorded in the Account have been paid into or charged against the Consolidated Revenue Fund, and the Account is consolidated in the financial statements of the Government.

2. Significant Accounting Policies

The Significant Accounting Policies are based on the terms and conditions contained in the *Debt Servicing and Reduction Account Act*.

i. Goods and services tax (GST)

The Government generally reports the GST and the HST (harmonized sales tax) in the year in which they are received. Amounts are reported net of Input Tax Credits claimed by registrants.

Refunds and rebates are generally reported in the year in which they are paid and are reported net of GST and HST collected by registrants. GST quarterly tax credits are charged in the quarter to which they relate. Transfers of HST to concerned provinces are based on estimates of HST receipts, refunds and rebates agreed upon by the Federal Government and the concerned provinces before the beginning of the fiscal year, and are recorded in the year paid.

ii. Other amounts credited to the Account

Gain on sale of shares in Crown corporations, gain on disposal of shares or interest on wind-up of Crown corporations and gifts to the Crown are recorded in the year in which the transactions or events that give rise to these revenues occur.

iii. Public debt expenditures charged to the Account

Public debt expenditures charged to the Account include costs incurred by the Government during the year in servicing, issuing, repayment, discharge or settlement of a debt, under the authority of a Borrowing Authority Act.

3. Public Debt Expenditures Chargeable to the Account

Public debt expenditures chargeable to the Account are calculated as follows:

| | (in thousands of dollars) | |
|---|---------------------------|------------|
| | 1999 | 1998 |
| Public debt charges | 41,393,989 | 40,931,013 |
| Less: amounts unrelated to a Borrowing Authority Act— Interest on unmatured debt ⁽¹⁾ | 390,687 | 361,234 |
| Interest on pension and other accounts | 10,153,523 | 9,552,901 |
| Public debt expenditures chargeable to the Account | 30,849,779 | 31,016,878 |

⁽¹⁾ Interest on unmatured debt is related to special non-marketable bonds held by the Canada Pension Plan Investment Fund and the Canada Pension Plan Account.

4. Amounts in Excess of the Account's Balance

Public debt expenditures charged to the Account exceed the amount available in the Account balance for these charges. Under these circumstances, only the amount necessary to bring the Account balance to nil is charged to the Account as required under section 6 of the *Debt Servicing and Reduction Account Act*.

SUPPLEMENTARY INFORMATION

**OBSERVATIONS OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

INTRODUCTION AND MAIN POINTS

The purpose of these observations is to explain in more detail the meaning of my audit opinion on the Financial Statements of the Government of Canada for the year ended March 31, 1999. I also explain how I arrive at my opinion and what assurance it provides and does not provide to users. Finally, I comment on matters that will require continuing attention in future years. Listed below are the main points contained in these observations:

- My audit opinion highlights some important messages and should be carefully reviewed each year. This year, my opinion on the 1999 financial statements is without reservation. However, as these statements include comparative information from 1998, I draw the reader's attention to the reservation I included in my opinion on the 1998 financial statements.
- I agree with the Government's accounting in these financial statements for the \$3.5 billion Canada Health and Social Transfer supplement. The conditions underlying the recording of this transaction make it different from transactions recorded in the past two years for the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation.
- As the Government moves to implement full accrual accounting in 2001-02, the full amount of significant assets and liabilities will become quantifiable. The Government must move quickly to identify auditable estimates of these assets and liabilities in order to achieve its planned 2001-02 implementation date.

MY AUDIT OPINION: WHAT IT MEANS, HOW I ARRIVED AT IT, AND WHAT IT PROVIDES AND DOES NOT PROVIDE

What my audit opinion means

This section of my observations discusses in more detail the messages that I convey in my audit opinion. As explained below, I have structured my audit opinion to highlight the messages. To understand the opinion properly, the reader should carefully review each paragraph, every year. It is inadvisable to assume that my opinion remains the same from one year to the next. Normally, my audit opinion consists of three paragraphs, plus an additional paragraph when I have a reservation in my opinion.

Readers of the Government's financial statements should review my audit opinion every year.

My responsibility. The introductory paragraph begins by listing the financial statements covered by my opinion. It is important to note that my audit opinion relates only to the financial statements and related notes contained in Section I of Volume I of the *Public Accounts of Canada*. It does not extend to the more detailed information presented in other sections of Volume I, or to Volume II.

The introductory paragraph concludes by confirming that the financial statements are the responsibility of the Government, and that my responsibility is to form an opinion on three distinct aspects of the financial statements as required by section 6 of the *Auditor General Act* and as outlined below.

The scope of my audit. In the second paragraph of my opinion, I state that my audit work on the Government's financial statements has been conducted according to generally accepted auditing standards. These standards are prescribed by the Canadian Institute of Chartered Accountants, and I follow them to ensure that my audit is conducted with appropriate rigour and professionalism. I also indicate that I perform my audit procedures to assess whether the financial statements are free of material misstatement.

I go on to explain that my audit includes assessing the reasonableness of significant estimates made by the Government. There is a good deal of judgment required in preparing and auditing financial statements for an entity the size of the Government of Canada. Many of the significant amounts reported in the financial statements, such as allowances for valuation of various assets and liabilities, are based on estimates made by the Government. These amounts are inherently imprecise. When considering whether misstatements exist in these estimates, I determine for each estimate a range of values that I believe would be reasonable. If the estimate as determined by the Government falls within a reasonable range, I conclude that the specific estimate is not misstated.

I complete the second paragraph by noting that my audit also includes assessing the appropriateness of the accounting policies used by the Government and evaluating the overall presentation of the financial statements. In order to make that assessment, there must be standards that I can use as a basis for my judgments. The standards that I continue to use this year are the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements, pertinent legislation, and the recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (referred to as "PSAB").

My opinion. It is important to note that my opinion is not a statement of fact; rather, it is an expression of my professional judgment. The opinion paragraph contains my overall conclusions about three important matters:

1. Whether the financial statements present information fairly (fairness).
2. Whether the financial statements were prepared in accordance with the Government's stated accounting policies (compliance).
3. Whether the Government's stated accounting policies were applied on the same basis as in the preceding year (consistency).

My opinion on each of these three aspects of the Government's financial statements for 1999 does not include any reservations. The readers are therefore entitled to conclude that the amounts shown in the financial statements are fairly stated within the limits of materiality. Further, the Government has prepared its financial statements in compliance with its stated accounting policies set out in Note 1 to the financial statements. The reader may also conclude that the accounting policies used by the Government to prepare the financial statements are the same policies as were used last year.

My opinion on the March 31, 1998 financial statements. In last year's observations, I reported that, in my opinion, the Government's accounting policy for transfer payments did not comply with objective accounting standards as a result of changes made to the policy in 1998. Although this policy remains in effect, there have been no transactions that have the same characteristics.

This year, I have also included a paragraph in my audit opinion that discusses the fairness of the March 31, 1998 financial statements. Last year, my opinion on the 1998 financial statements included a reservation for the recording of a transaction related to the Canada Millennium Scholarship Foundation. I reported that in my opinion, the 1997-98 surplus was understated by \$2.5 billion and accounts payable and accrued liabilities, as well as the accumulated deficit, were overstated by the same amount. Because the 1998 financial statements are included as comparative figures in the 1999 financial statements, I refer to my 1998 opinion in this year's opinion.

During 1998-99, the Government actually made the \$2.5 billion payment to the Canada Millennium Scholarship Foundation. This payment was recorded as a reduction to accounts payable and accrued liabilities, and had no impact on the 1998-99 surplus.

How I arrive at my opinion

If I conclude that in the aggregate the financial statements are free of material misstatement, I report that the information is "presented fairly". If I conclude that the statements are materially misstated, as I did last year, I describe the nature and extent of my concerns. I then go on to say that information is presented fairly "except for" the issues in my reservations.

The aggregate of all misstatements in the financial statements is considered material if, in the light of surrounding circumstances, it is probable that the misstatements would change or influence the decision of a person who was relying on the financial statements and who had reasonable knowledge of the Government and its activities. If I believe this is the case, I will include a reservation in my audit opinion.

My opinion on the Government's financial statements for 1999 states that they are "fairly" presented, are prepared in compliance with stated accounting policies and use policies that are consistent with 1998.

Before commencing my audit, I make a judgment based on the Government's total expenditures as to what dollar magnitude (materiality) of misstatements in the financial statements would influence the decisions of users. That dollar amount is then used as a basis for determining the nature, extent and timing of the audit work required. For this year's audit, I set materiality at approximately one half of one percent of total gross expenditures of \$165 billion.

To be in a position to render my audit opinion, generally accepted auditing standards require that I have "reasonable assurance" that my audit will reveal any misstatements aggregating to more than my predetermined level of materiality. In planning my audit, I accept some small amount of risk that my audit procedures will fail to detect whether the financial statements are materially misstated. I accept this minimal risk because it is cost-effective to do so. However, in conducting my audit, I perform specific audit procedures that reduce this risk to a level I consider acceptable. These include, for example, testing a sample of transactions and account balances, performing analyses, confirming year-end balances with third parties and, where considered necessary, reviewing significant internal controls.

In all of my audit work on these financial statements, I also take into account the basic requirement that the Government comply with parliamentary authorities to spend, borrow and raise revenues.

What my audit provides and does not provide

To summarize, my audit of the Government's financial statements provides an opinion on whether they present information fairly. An auditor's opinion enhances the credibility of reported financial results or, in some cases, may alert readers to problems in the financial statements. In describing what my audit opinion provides to readers, however, it is important to highlight what the opinion does not do. My audit opinion does not address the issue of the economical, efficient and effective use of resources by the Government: that aspect of my work is separate from my audit of the Government's financial statements.

Furthermore, my audit of the Government's financial statements is neither extensive enough nor specifically designed to provide assurance of the integrity of each of the Government's many and varied systems of internal control, nor its compliance with the spending limits on each of its several hundred individual appropriations. My Office conducts additional work in each of these areas on a cyclical basis in departments and agencies and Crown corporations. I consider the results of all of this work in developing my opinion on the Government's financial statements. If issues have been identified that I believe are significant to the users of the financial statements, I will mention them in my opinion or in my observations. Although this year we identified some issues of internal control and compliance with authority, none required mention in my opinion on the financial statements. However, I have referred to some of this additional work in my observations as added explanation. The results of this additional work are discussed in my separate reports to the House of Commons.

My opinion adds credibility to the Government's financial statements; it does not address value for money issues.

Finally, my audit work on the Government's financial statements this year was not designed to, and my opinion does not provide any assurance that all Year 2000 issues have been identified, that the Government's work to prepare its systems for the Year 2000 is adequate or that its systems will become Year 2000-compliant in time. I have reported twice on this matter in my October 1997 and December 1998 Reports. In 1997, Chapter 12 reported on the Government's overall state of preparedness for Year 2000. In 1998, Chapter 20 focussed on the Government's progress in making its mission-critical systems compliant for Year 2000. My audit work in this area is continuing and I will be reporting to Parliament later this year. The uncertainty surrounding the Year 2000 issue is described in Note 17 to the Government's financial statements.

MATTERS REQUIRING CONTINUING ATTENTION

The \$3.5 billion supplement to the Canada Health and Social Transfer (CHST) program

Accounting for the transaction. Recorded in these financial statements is a \$3.5 billion liability and transfer payment expenditure related to a supplement to the CHST program announced in the February 1999 Budget. I agree that the Government incurred a liability and expenditure due to this announcement and the events surrounding the supplement that occurred prior to March 31, 1999, and obtained parliamentary approval for the payment prior to completion of the 1999 financial statements. The 1997 and 1998 Budgets announced respectively an \$800 million liability and expenditure for the Canada Foundation for Innovation and a \$2.5 billion liability and expenditure for the Canada Millennium Scholarship Foundation (referred to as "the Foundations"). However, I did not agree with the accounting for those transactions and said so in my opinions on the 1997 and 1998 financial statements.

The criteria underlying the accounting recognition of these transactions are laid out in objective accounting standards for governments in Canada as enunciated by PSAB. Below, I review these criteria and summarize why I have accepted the accounting for the CHST supplement and why I did not accept the accounting for the Foundations:

The \$3.5 billion liability established at March 31, 1999 for the CHST supplement was recorded in accordance with objective accounting standards. The liabilities at March 31, 1998 and 1997 to the Canada Millennium Scholarship Foundation and the Canada Foundation for Innovation were not.

Summary of criteria for accounting recognition.

| Criteria for Recognition | CHST Supplement | Foundations |
|--|---|--|
| Was the transfer authorized at March 31? | Yes; the CHST program had been authorized at March 31, 1999. The supplement to the program was approved by Parliament prior to completion of the 1999 financial statements. | No; both Foundations represented new programs that had not been authorized by Parliament at March 31, although the programs were approved by Parliament prior to completion of the financial statements. |
| Was there a legal recipient at March 31? | Yes; the provinces and territories of Canada. | No; neither Foundation legally existed at March 31. They did not come into existence until several months after that date. |
| Had the recipients met any eligibility criteria prior to March 31? (For grants, there are no eligibility criteria other than the signing of an agreement between the parties.) | Yes; the premiers of the provinces, the government leaders of the territories and the Prime Minister of Canada had signed an agreement prior to March 31, 1999. | No; no agreements could be signed because no recipients existed. The agreements were signed several months after March 31, only after the recipients had been legally created by Parliament. |
| Could a reasonable estimate of the amount have been made at March 31? | Yes. | Yes. |

Substance of the Foundations. My observations in the 1997 and 1998 Public Accounts described quite extensively my reservations on the recording of transfer payments to the Foundations. In addition, in 1998 I drew attention to the fact that the substance of these Foundations should be examined by PSAB, on the recommendation of the Government and in consultation with other governments in Canada. By “substance”, I mean whether – in accordance with objective accounting standards – such organizations are considered not to be dealing at arm’s length with governments and are therefore consolidated in government financial statements.

The Government has not reviewed this matter either with other governments in Canada, or with PSAB. I continue to believe that it should and, therefore, undertook my own research into the matter. My research included a review of relevant literature such as Canadian generally accepted accounting principles (GAAP) applicable to entities in the private sector and not-for-profit organizations, and Canadian GAAP for public sector entities. The authoritative literature from the United States, the United Kingdom, Australia and the International Accounting Standards Committee was also reviewed.

Objective accounting standards used to determine whether organizations such as the Foundations are part of the Government should be enhanced.

From this research I conclude that the application of the present PSAB recommendations requires considerable judgment to determine the appropriate accounting by governments for such “special purpose entities” as the Foundations. Different aspects of control and accountability must be assessed, individually and in aggregate, when deciding if consolidation is appropriate. Given the recent trend in the Government toward providing more goods and services through channels outside the traditional public service, it is important to establish acceptable practices for the accounting by governments for such organizations, and to maintain accountability to the users of the Public Accounts.

I therefore continue to strongly recommend that the Government encourage PSAB to provide additional guidance in the form of either an Accounting Guideline or a change in the PSAB Handbook. Although this would still require the exercise of professional judgment, I believe that it would limit the need for judgment in determining what should be included in the government reporting entity.

Financial Information Strategy (FIS): The move to full accrual accounting

What does the move to full accrual accounting mean?

FIS has three main elements; renewal of the accounting systems, the move to full accrual accounting and providing improved information for management decision making. Last year, I mentioned that I would devote sufficient Office resources to monitoring this important government initiative. In my November 1999 Report, I will report again on the status of these three elements of FIS and will continue this practice until the Government completes this important initiative. As well, I noted last year that FIS is critical to the Government's continuing ability to produce these Public Accounts and to my ability to audit the financial statements contained herein. Hence I would like to describe here some of the more important changes that the full accrual accounting element of FIS will bring, so that readers can fully appreciate their potential impact on the financial statements.

The Government's current *basis of accounting*, as described in Note 1 to the financial statements, is known as modified accrual accounting. This term means that while most operating expenditures and all non-tax revenues are recorded in the financial statements when they are incurred or earned (even if cash is paid out or received later), tax revenues are accounted for when cash is received and the entire amount of capital acquisitions, such as buildings, is treated as an expenditure when acquired.

The Government has announced that it intends to move its accounting policies to full accrual accounting by recording all expenditures and tax revenues when incurred or earned and reporting as expenditures only the portion of capital acquisitions that have been used up during the year. As described below, this means that all liabilities (including those for Aboriginal claims and the environment), and all assets (including those for taxes receivable, investments in enterprise Crown corporations, capital assets, prepaid expenses and inventories), will be recorded or recognized in the financial statements. However, it is important to keep in mind that the recording of these assets and liabilities will in no way alter the current level of government debt reflected in the financial statements.

What is the status of the move to full accrual accounting?

Aboriginal claims – After reporting on this issue extensively in last year's observations, I am pleased to report that the Government has made progress toward quantifying its liability for both types of Aboriginal claims: those being pursued through the courts and those being pursued through Indian and Northern Affairs Canada. The current Government policy for reporting Aboriginal claims (found in Note 1 to the financial statements) is neither thorough nor complete. However, we believe that both the progress made to date by the Department to quantify the liability and the time frame for completing the work for 2001-02 are reasonable.

The Government has made progress toward its objective of preparing full accrual financial statements for 2001-02.

Environmental liabilities – The Government has not yet approved a formal accounting policy for reporting environmental costs and liabilities. In an attempt to identify and estimate the environmental costs and liabilities at March 31, 1999, the Treasury Board Secretariat issued in February 1999 an updated draft of the *Policy on Accounting for Costs and Liabilities Related to Contaminated Sites*. As data were received from departments based on the draft policy, it became apparent that the systems they use to collect information are not yet adequate for reporting on these amounts. Although much work remains to be done in some departments, the time frame for completing the work for 2001-02 is reasonable.

Accrual of tax revenue – Accrual accounting for tax revenue is intended to ensure that tax revenues reported in the Government's financial statements reflect more accurately the underlying economic activity during the fiscal period, and that tax amounts owed to the Government are reported in the financial statements. The Government has not finalized its approach in developing a practical methodology to accrue tax revenues and the related accounting policy. In July 1999, however, Revenue Canada established a team that is responsible for continuing the development of an appropriate form of accrual accounting for tax revenue. The team is working under the direction of a steering committee of officials from Revenue Canada, the Department of Finance and the Treasury Board Secretariat. My officials are working closely with these committee members to ensure that all related audit concerns are dealt with. Due to its scope, much remains to be done before the Government is in a position to implement this initiative for 2001-02.

Enterprise Crown corporations – The Government still intends to adopt PSAB's recommendation for the reporting of profits and losses of enterprise Crown corporations on a modified equity basis, when it moves to full accrual accounting. This change in accounting practice will eliminate the approach used in recent years, that of adjusting allowances to include corporate profits and losses in the surplus for the year.

Capital assets – In December 1998, the Government's draft *Accounting Standard on Capital Assets* that outlines the Government's policy to capitalize and amortize capital assets was refined and issued as a revised draft to departments. Much remains to be done before the Government is in a position to implement this initiative. For example, departments must translate the draft standard into more detailed departmental policies that take into account the unique nature of their capital assets; complete inventories of capital assets administered by the departments must be prepared; and the capital assets must be valued in accordance with the policies. Many departments have not begun to assemble this information and there is, therefore, a tremendous amount of work to do before implementing this accounting policy for 2001-02.

Prepaid expenses and inventories – The Government intends to record these assets for 2001-02, but has not yet drafted an accounting policy and instructions to departments for determining either of these asset balances. Therefore, much remains to be done before implementing this accounting policy for 2001-02.

The Government's plan to implement full accrual accounting by 2001-02 is very ambitious and requires a tremendous effort by departments and agencies.

Can the Government implement full accrual accounting for 2001-02?

The Government has an enormous challenge to achieve its objective of implementing full accrual accounting for 2001-02. I am concerned that planning for the move to full accrual accounting is starting only now in many departments and agencies. They should not underestimate the level of effort and time it will take to do this. My November 1999 Report chapter on FIS will elaborate on this matter and I will continue to monitor the Government's efforts to identify and quantify these assets and liabilities.

Netting

For several years, beginning soon after my appointment as Auditor General, I included in these observations a matter that concerned me – the offsetting of expenditures against revenues, or, simply, “netting”. In 1995, I stopped drawing attention to this issue in my annual observations because there were other important matters that, in my view, needed attention. However, the time has come to put the issue forward again. Consider the following:

- When I first raised this issue in 1992, the Child Tax Credit payments netted against revenue amounted to \$1.4 billion. This year, its successor, the Canada Child Tax Benefit payments, amounted to \$5.7 billion (see Note 4 to the financial statements). And, as announced in the 1999 Budget, these payments will eventually grow to over \$7 billion. This massive and important expenditure program continues to be delivered through the tax system and is shown in Budget documents and in the Annual Financial Report⁽¹⁾ as a net reduction of income tax revenue. This is incomplete financial disclosure.
- The Condensed Statement of Revenues, Expenditures and Accumulated Deficit included in the Government's Annual Financial Report is presented on a gross basis. The remainder of the document presents analyses of revenues and expenditures on essentially a net basis. This results in confusion, because the financial statement amounts do not agree with these analyses.
- The Statement of Revenues, Expenditures and Accumulated Deficit in this section has four columns – two showing gross amounts for the current and the preceding years, and two showing net amounts for the current and the preceding years. This results in a statement that is cluttered and difficult to understand.

“Netting” obscures significant expenditure programs because they are buried in revenues resulting in incomplete financial disclosure.

The reason given by the Government for netting in the financial statements is that netting is consistent with the way Parliament appropriates funds to the Government and is used in the preparation of Budget documents. Nonetheless, I strongly recommend that the financial statements and Budget documents be prepared on solely a gross basis of accounting.

⁽¹⁾ The Department of Finance publishes the Annual Financial Report of the Government of Canada. It presents and analyzes information taken from the Public Accounts, but in a concise and summarized form.

Timely financial statements

Another issue I have raised in my observations in previous years is the length of time it takes after the Government's year end to produce the audited financial statements and make public the final fiscal results. I provided examples in those observations of large corporations, including Crown corporations, that published their audited financial statements less than two to four months after their fiscal year end. More recently, a few provincial governments are beginning to achieve that time frame as well.

While there has been a slight improvement in the timeliness of final fiscal results since I last highlighted this matter in 1993, the Government has not been able to release its final fiscal results until the end of September — six months after the fiscal year end!

This year, the three central agencies responsible for the Public Accounts, the Department of Finance, the Treasury Board Secretariat and the Receiver General function in Public Works and Government Services Canada, set the objective of an earlier release date for the 1999 Public Accounts. They and my Office agreed together that it was feasible to have final audited financial statements ready for release by early September 1999. However, the central agencies can prepare the financial statements only after the departments, agencies and Crown corporations submit the financial information to be consolidated in the financial statements.

The Government releases its audited fiscal results six months after its fiscal year end. Most corporations in Canada and an increasing number of provincial governments release them much earlier.

Some of these organizations take very seriously their responsibility to provide the central agencies with information on a timely basis. They plan their schedules carefully, are available to answer our questions as part of the audit, and review the audit results with us by early August. Other organizations are not as co-operative. My sense is that they do not view this work in the context of their own accountability. In their view, accountability for the Public Accounts rests with the central agency ministers (the Minister of Finance, the President of the Treasury Board and the Receiver General), not with their own minister. Accountability for their financial information comes later, when their Departmental Performance Report is tabled in Parliament.

Despite the good intentions of the three central agencies, the timeliness of the release of final fiscal results will never improve as long as this attitude exists in departments and agencies. In fact, when the Government implements FIS, departments and agencies will have even more responsibility for the preparation of year-end financial statements. I therefore strongly recommend strict enforcement of department and agency reporting dates, so that timeliness will improve — both in the current process of preparing the financial statements and in the framework envisioned under FIS.

Debt Servicing and Reduction Account (DSRA)

My observations in the 1997 Public Accounts drew attention to the Statement of Transactions of the DSRA and suggested that the Government and Parliament may wish to re-examine whether it is still needed and useful. I did not discuss this in last year's Public Accounts because the Government had responded positively and had asked the House of Commons' Finance Committee to take the necessary action.

The Committee has this issue on its agenda and has asked me for additional information on the rationale for my suggestion. I have provided this additional information to the Committee but to date the Committee has not reported the results of its deliberations to the House. I continue to believe that the Committee should re-examine the continuing need for and usefulness of the DSRA.

The Annual Financial Report (AFR)

From the time of its introduction in 1994 until 1998, there were few substantive changes to the AFR. Yet events both domestic and international have heightened the need for improved financial reporting by governments and suggested new ways of bringing this about. I concluded that it was time to revisit the AFR in order to make it more useful and facilitate its access by interested Canadians, and in Chapter 29 of my December 1998 Report I called on the Department of Finance to do so.

The Department is acting on that recommendation. It has initiated the following actions since our Report was released:

- A user survey was included in the 1999 AFR; the purpose of the survey is to solicit users' suggestions for improving the AFR's usefulness and understandability.
- The Department undertook a detailed communications review to simplify the document and eliminate duplication.
- The "Report Highlights" section of the AFR was made more user-friendly by including more charts and graphs.
- The highly technical and complicated economic analysis in the "Economic Developments" section of the AFR was eliminated, although some of that analysis was used in the "Budgetary Revenues" and "Budgetary Expenditures" sections.
- Interested Canadians can view the AFR on the Department of Finance internet site.

The Government has made significant improvements in its 1999 Annual Financial Report.

I applaud these initiatives and believe that the AFR has been significantly improved for 1999. I encourage the Government to use the results of the user survey and to continually improve the document so that all interested Canadians and parliamentarians will use it regularly.

CONCLUSION

I believe strongly that the Government's financial statements included in these Public Accounts, together with the AFR, are extremely important accountability documents that must be credible, understandable, useful and available on a timely basis. For 1999, the Government has achieved all but timeliness, as the audited final fiscal results again were not available until six months after the Government's fiscal year end. My 1999 opinion on the financial statements is without qualification, lending credibility to the assertions they contain. And I continue to see improvements in the understandability and usefulness of the financial statements and AFR.

However, I am worried about the future. The Government's goal is to introduce full accrual accounting in one fell swoop in 2001-02. I sincerely hope that it is able to do so and I fully support and encourage this goal. While the Government's plan is achievable, it is ambitious.

I strongly encourage the Government, with the support of Parliament, to do whatever it takes to meet its announced target date of 2001-02 for implementation of full accrual accounting.

SECTION 2

1998-99

PUBLIC ACCOUNTS OF CANADA

Supplementary Financial Information

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Introduction | 2.2 |
| Supplementary information— | |
| Summary statement of transactions | 2.2 |
| Detailed statement of revenue transactions | 2.3 |
| Detailed statement of expenditure transactions | 2.4 |
| Other levels of government | 2.4 |
| Statement of accumulated deficit | 2.4 |
| Statement of assets and liabilities | 2.5 |
| Detailed statement of non-budgetary transactions | 2.6 |
| Detailed statement of foreign exchange, unmatured debt and cash transactions | 2.7 |
| National accounts | 2.8 |

SUPPLEMENTARY FINANCIAL INFORMATION

Introduction

This section provides a ten year comparative summary of the Government's financial transactions, reflects the accounting policies explained in Note 1 to the audited financial statements in Section 1 of this volume.

The "Summary Statement of Transactions" (Table 2.1) provides aggregate data on the major categories of transactions under four main headings: budgetary, non-budgetary, foreign exchange and unmatured debt. The resulting cash position at the end of each year is also shown.

TABLE 2.1
GOVERNMENT OF CANADA
SUMMARY STATEMENT OF TRANSACTIONS ⁽¹⁾
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Budgetary transactions | | | | | | | | | | |
| Revenues | 113,707 | 119,353 | 122,032 | 120,380 | 115,984 | 123,323 | 130,301 | 140,896 | 153,162 | 155,671 |
| Expenditures | -142,637 | -151,353 | -156,389 | -161,401 | -157,996 | -160,785 | -158,918 | -149,793 | -149,684 | -152,787 |
| Surplus or deficit (-) for the year | -28,930 | -32,000 | -34,357 | -41,021 | -42,012 | -37,462 | -28,617 | -8,897 | 3,478 | 2,884 |
| Non-budgetary transactions | | | | | | | | | | |
| Loans, investments and advances | 1,020 | 96 | -409 | 533 | 562 | 331 | 2,698 | 275 | 2,031 | 500 |
| Pension and other accounts | 6,786 | 7,030 | 5,724 | 5,997 | 6,242 | 8,659 | 7,646 | 6,865 | 3,829 | 7,024 |
| Other transactions | 594 | 336 | -2,758 | -6 | 5,358 | 2,630 | 1,090 | 3,022 | 3,391 | 1,083 |
| Net source | 8,400 | 7,462 | 2,557 | 6,524 | 12,162 | 11,620 | 11,434 | 10,162 | 9,251 | 8,607 |
| Source of funds or financial requirements (-) | -20,530 | -24,538 | -31,800 | -34,497 | -29,850 | -25,842 | -17,183 | 1,265 | 12,729 | 11,491 |
| Net source or requirements (-) from foreign exchange transactions | 1,948 | -3,746 | 2,023 | 5,748 | -2,128 | -1,425 | -4,704 | -7,759 | -2,155 | -5,700 |
| Total source of funds or financial requirements (-) | -18,582 | -28,284 | -29,777 | -28,749 | -31,978 | -27,267 | -21,887 | -6,494 | 10,574 | 5,791 |
| Net source from unmatured debt transactions ⁽²⁾ | 18,261 | 29,341 | 27,982 | 30,856 | 31,234 | 27,023 | 28,549 | 7,305 | -9,561 | -6,864 |
| Change in cash in bank ⁽³⁾ | -321 | 1,057 | -1,795 | 2,107 | -744 | -244 | 6,662 | 811 | 1,013 | -1,073 |
| Cash in bank at beginning of year | 1,833 | 1,512 | 2,569 | 774 | 2,881 | 2,137 | 1,893 | 8,555 | 9,366 | 10,379 |
| Cash in bank at end of year | 1,512 | 2,569 | 774 | 2,881 | 2,137 | 1,893 | 8,555 | 9,366 | 10,379 | 9,306 |

Details can be found in other sections of this volume.

⁽¹⁾ Consistent with the Statement of Transactions in Section 1 of this volume.

⁽²⁾ Cash requirements (-)

⁽³⁾ Cash decrease (-)

TABLE 2.2
GOVERNMENT OF CANADA
DETAILED STATEMENT OF REVENUE TRANSACTIONS
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|---|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Tax revenues— | | | | | | | | | | |
| Income tax— | | | | | | | | | | |
| Personal | 51,895 | 57,601 | 61,222 | 58,283 | 51,427 | 56,329 | 60,167 | 63,282 | 70,787 | 72,488 |
| Corporation | 13,021 | 11,726 | 9,359 | 7,206 | 9,444 | 11,604 | 15,955 | 17,020 | 22,496 | 21,575 |
| Other income tax revenues | 1,587 | 1,651 | 1,534 | 1,462 | 1,593 | 1,769 | 2,105 | 2,847 | 2,974 | 2,901 |
| | 66,503 | 70,978 | 72,115 | 66,951 | 62,464 | 69,702 | 78,227 | 83,149 | 96,257 | 96,964 |
| Excise taxes and duties— | | | | | | | | | | |
| Goods and services tax | | 2,574 | 15,168 | 14,868 | 15,696 | 16,786 | 16,375 | 18,079 | 19,461 | 20,684 |
| Energy taxes | 2,471 | 3,192 | 3,441 | 3,437 | 3,640 | 3,824 | 4,404 | 4,467 | 4,638 | 4,716 |
| Customs import duties | 4,587 | 4,001 | 3,999 | 3,811 | 3,652 | 3,575 | 2,969 | 2,676 | 2,766 | 2,359 |
| Other excise taxes and duties | 21,097 | 16,346 | 2,588 | 3,964 | 3,647 | 2,904 | 2,856 | 3,876 | 3,995 | 3,640 |
| | 28,155 | 26,113 | 25,196 | 26,080 | 26,635 | 27,089 | 26,604 | 29,098 | 30,860 | 31,399 |
| Employment insurance premiums | 10,738 | 12,707 | 15,394 | 17,535 | 18,233 | 18,928 | 18,510 | 19,816 | 18,802 | 19,363 |
| Total tax revenues | 105,396 | 109,798 | 112,705 | 110,566 | 107,332 | 115,719 | 123,341 | 132,063 | 145,919 | 147,726 |
| Non-tax revenues— | | | | | | | | | | |
| Return on investments— | | | | | | | | | | |
| Bank of Canada | 2,239 | 2,809 | 1,844 | 1,806 | 1,452 | 1,571 | 1,841 | 1,310 | 1,509 | 1,704 |
| Canada Mortgage and Housing Corporation | 822 | 772 | 753 | 800 | 719 | 706 | 680 | 632 | 610 | 591 |
| Farm Credit Corporation | 239 | 230 | 215 | 226 | 211 | 199 | 208 | 171 | 169 | 133 |
| Exchange Fund Account | 1,661 | 2,258 | 2,900 | 3,209 | 2,916 | 1,816 | 1,138 | 1,423 | 1,499 | 1,770 |
| Interest on bank deposits | 278 | 285 | 192 | 169 | 128 | 155 | 370 | 229 | 326 | 380 |
| Other return on investments | 611 | 453 | 617 | 628 | 716 | 574 | 238 | 445 | 314 | 413 |
| | 5,850 | 6,807 | 6,521 | 6,838 | 6,142 | 5,021 | 4,475 | 4,210 | 4,427 | 4,991 |
| Other non-tax revenues | 2,461 | 2,748 | 2,806 | 2,976 | 2,510 | 2,583 | 2,485 | 4,623 | 2,816 | 2,954 |
| Total non-tax revenues | 8,311 | 9,555 | 9,327 | 9,814 | 8,652 | 7,604 | 6,960 | 8,833 | 7,243 | 7,945 |
| Total net revenues | 113,707 | 119,353 | 122,032 | 120,380 | 115,984 | 123,323 | 130,301 | 140,896 | 153,162 | 155,671 |

TABLE 2.3
GOVERNMENT OF CANADA
DETAILED STATEMENT OF EXPENDITURE TRANSACTIONS
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Transfer payments— | | | | | | | | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | 16,154 | 17,131 | 18,393 | 19,106 | 19,903 | 20,511 | 21,034 | 21,606 | 22,225 | 22,781 |
| Other levels of Government ⁽¹⁾ | 23,417 | 22,928 | 24,865 | 26,544 | 26,947 | 26,313 | 26,076 | 22,162 | 20,504 | 25,523 |
| Employment insurance benefits | 11,694 | 14,665 | 18,126 | 19,065 | 17,626 | 14,815 | 13,476 | 12,380 | 11,842 | 11,884 |
| Family allowances and Child tax Credits ⁽²⁾ | 2,653 | 2,736 | 2,821 | 2,194 | 7 | | | | | |
| Other transfer payments ⁽³⁾ | 15,926 | 15,340 | 17,389 | 18,125 | 18,459 | 19,993 | 18,154 | 17,460 | 22,476 | 18,735 |
| Total transfer payments | 69,844 | 72,800 | 81,594 | 85,034 | 82,942 | 81,632 | 78,740 | 73,608 | 77,047 | 78,923 |
| Crown corporation expenditures | 5,237 | 5,713 | 5,252 | 6,219 | 5,298 | 5,003 | 4,321 | 3,578 | 2,548 | 3,497 |
| Other program expenditures— | | | | | | | | | | |
| National Defence | 11,249 | 11,518 | 10,901 | 10,939 | 11,282 | 10,693 | 9,935 | 8,661 | 8,879 | 8,781 |
| All other departments and agencies | 17,518 | 18,734 | 17,468 | 20,384 | 20,492 | 21,411 | 19,017 | 18,973 | 20,279 | 20,192 |
| Total other program expenditures | 28,767 | 30,252 | 28,369 | 31,323 | 31,774 | 32,104 | 28,952 | 27,634 | 29,158 | 28,973 |
| Total program expenditures | 103,848 | 108,765 | 115,215 | 122,576 | 120,014 | 118,739 | 112,013 | 104,820 | 108,753 | 111,393 |
| Public debt charges | 38,789 | 42,588 | 41,174 | 38,825 | 37,982 | 42,046 | 46,905 | 44,973 | 40,931 | 41,394 |
| Total net expenditures | 142,637 | 151,353 | 156,389 | 161,401 | 157,996 | 160,785 | 158,918 | 149,793 | 149,684 | 152,787 |

⁽¹⁾ The detailed breakdown can be found in Table 2.3a.

⁽²⁾ The Child Tax Benefit Program was introduced in January 1993 to replace the Child Tax Credits and the Family Allowances Program.

⁽³⁾ The 1998 expenditures incorporate a change in accounting policy described in Note 2 of section 1 of this volume.

TABLE 2.3a
GOVERNMENT OF CANADA
OTHER LEVELS OF GOVERNMENT
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Canada health and social transfer ⁽¹⁾ | | | | | | | | 14,911 | 12,421 | 16,018 |
| Fiscal arrangements | 9,582 | 9,245 | 9,935 | 8,664 | 10,101 | 8,870 | 9,405 | 9,418 | 10,000 | 11,645 |
| Canada Assistance Plan | 5,006 | 5,788 | 6,099 | 6,686 | 7,236 | 7,266 | 7,191 | 105 | 24 | 8 |
| Insurance and medical care | 6,663 | 6,033 | 6,689 | 8,307 | 7,232 | 7,691 | 7,115 | -217 | 162 | 2 |
| Education support | 2,166 | 1,862 | 2,142 | 2,887 | 2,378 | 2,486 | 2,365 | -41 | 5 | |
| Alternative payments for standing programs | | | | | | | | -2,014 | -2,108 | -2,150 |
| Total | 23,417 | 22,928 | 24,865 | 26,544 | 26,947 | 26,313 | 26,076 | 22,162 | 20,504 | 25,523 |

⁽¹⁾ The Canada health and social transfer was introduced in 1996-97 to replace the Canada Assistance Plan, Education support and Insurance and medical care.

TABLE 2.4
GOVERNMENT OF CANADA
STATEMENT OF ACCUMULATED DEFICIT
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Accumulated deficit—Beginning of year | 329,890 | 358,820 | 390,820 | 425,177 | 466,198 | 508,210 | 545,672 | 574,289 | 583,186 | 579,708 |
| Deficit or surplus (-) for the year | 28,930 | 32,000 | 34,357 | 41,021 | 42,012 | 37,462 | 28,617 | 8,897 | -3,478 | -2,884 |
| Accumulated deficit—End of year | 358,820 | 390,820 | 425,177 | 466,198 | 508,210 | 545,672 | 574,289 | 583,186 | 579,708 | 576,824 |

TABLE 2.5
GOVERNMENT OF CANADA
STATEMENT OF ASSETS AND LIABILITIES
(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| LIABILITIES | | | | | | | | | | |
| ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES— | | | | | | | | | | |
| Accounts payable and accrued liabilities | 13,230 | 13,269 | 13,550 | 13,144 | 16,977 | 20,325 | 21,181 | 19,265 | 22,364 | 24,509 |
| Interest and matured debt | 5,683 | 5,489 | 6,576 | 5,866 | 6,465 | 4,831 | 7,403 | 10,402 | 10,419 | 9,791 |
| Allowance for employee benefits | 4,200 | 3,950 | 3,050 | 3,285 | 3,555 | 3,910 | 4,290 | 5,180 | 6,729 | 6,926 |
| Allowance for loan guarantees and borrowings of Crown corporations | 4,000 | 4,170 | 4,020 | 4,555 | 4,930 | 5,540 | 5,440 | 5,253 | 4,188 | 4,090 |
| Total accounts payable, accruals and allowances | 27,113 | 26,878 | 27,196 | 26,850 | 31,927 | 34,606 | 38,314 | 40,100 | 43,700 | 45,316 |
| INTEREST-BEARING DEBT — | | | | | | | | | | |
| Unmatured debt— | | | | | | | | | | |
| Payable in Canadian currency— | | | | | | | | | | |
| Marketable bonds | 127,532 | 143,485 | 158,051 | 178,412 | 203,392 | 225,679 | 252,700 | 282,498 | 294,583 | 295,752 |
| Treasury bills | 118,550 | 139,150 | 152,300 | 162,050 | 166,000 | 164,450 | 166,100 | 135,400 | 112,300 | 96,950 |
| Canada saving bonds | 39,733 | 33,250 | 34,589 | 33,365 | 30,418 | 30,460 | 30,460 | 32,470 | 29,769 | 27,662 |
| Bonds for Canada Pension Plan | 3,072 | 3,492 | 3,501 | 3,505 | 3,497 | 3,488 | 3,478 | 3,468 | 3,456 | 4,063 |
| Payable in foreign currencies | 288,887 | 319,377 | 348,441 | 377,332 | 403,307 | 424,077 | 452,738 | 453,836 | 440,108 | 424,427 |
| | 5,675 | 4,526 | 3,444 | 5,409 | 10,668 | 16,921 | 16,809 | 23,016 | 27,183 | 36,000 |
| | 294,562 | 323,903 | 351,885 | 382,741 | 413,975 | 440,998 | 469,547 | 476,852 | 467,291 | 460,427 |
| Pension and other accounts— | | | | | | | | | | |
| Public sector pensions | 69,626 | 76,139 | 81,881 | 87,911 | 94,097 | 101,033 | 107,882 | 114,205 | 117,457 | 122,407 |
| Canada Pension Plan | 2,962 | 3,459 | 3,181 | 2,839 | 2,728 | 3,406 | 3,636 | 3,718 | 4,205 | 5,427 |
| Other | 2,954 | 2,974 | 3,234 | 3,543 | 3,710 | 4,755 | 5,322 | 5,782 | 5,872 | 6,724 |
| | 75,542 | 82,572 | 88,296 | 94,293 | 100,535 | 109,194 | 116,840 | 123,705 | 127,534 | 134,558 |
| Total interest-bearing debt | 370,104 | 406,475 | 440,181 | 477,034 | 514,510 | 550,192 | 586,387 | 600,557 | 594,825 | 594,985 |
| TOTAL LIABILITIES | 397,217 | 433,353 | 467,377 | 503,884 | 546,437 | 584,798 | 624,701 | 640,657 | 638,525 | 640,301 |
| ASSETS | | | | | | | | | | |
| CASH AND ACCOUNTS RECEIVABLE — | | | | | | | | | | |
| Cash in bank | 1,512 | 2,569 | 774 | 2,881 | 2,137 | 1,893 | 8,555 | 9,366 | 10,379 | 9,306 |
| Cash in transit | 2,035 | 2,196 | 2,902 | 2,931 | 3,313 | 3,241 | 4,189 | 4,062 | 4,530 | 5,432 |
| | 3,547 | 4,765 | 3,676 | 5,812 | 5,450 | 5,134 | 12,744 | 13,428 | 14,909 | 14,738 |
| Less outstanding cheques and warrants | 2,546 | 4,022 | 2,695 | 3,228 | 4,015 | 3,751 | 3,700 | 3,253 | 3,218 | 4,045 |
| Total cash | 1,001 | 743 | 981 | 2,584 | 1,435 | 1,383 | 9,044 | 10,175 | 11,691 | 10,693 |
| Accounts receivable | 2,421 | 3,165 | 4,208 | 4,372 | 4,496 | 4,353 | 5,972 | 4,416 | 4,122 | 4,580 |
| Total cash and accounts receivable | 3,422 | 3,908 | 5,189 | 6,956 | 5,931 | 5,736 | 15,016 | 14,591 | 15,813 | 15,273 |
| FOREIGN EXCHANGE ACCOUNTS— | | | | | | | | | | |
| International reserves held in the Exchange Fund | | | | | | | | | | |
| Account | 15,393 | 19,066 | 17,148 | 10,879 | 13,156 | 14,356 | 18,908 | 26,726 | 28,198 | 31,855 |
| International Monetary Fund—Subscriptions | 4,474 | 4,565 | 4,797 | 7,599 | 8,443 | 9,433 | 8,580 | 8,295 | 8,194 | 13,048 |
| Less International Monetary Fund—Notes payable and special drawing rights allocations | 5,045 | 5,063 | 5,400 | 7,681 | 8,674 | 9,439 | 8,434 | 8,208 | 7,424 | 10,235 |
| Total net foreign exchange accounts | 14,822 | 18,568 | 16,545 | 10,797 | 12,925 | 14,350 | 19,054 | 26,813 | 28,968 | 34,668 |
| LOANS, INVESTMENTS AND ADVANCES— | | | | | | | | | | |
| Enterprise Crown corporations and other | | | | | | | | | | |
| government business enterprises | 17,678 | 17,428 | 18,150 | 19,543 | 19,283 | 18,218 | 14,663 | 13,842 | 12,601 | 11,052 |
| Joint and mixed enterprises | 4,461 | 4,461 | 4,461 | 4,374 | 4,374 | 4,374 | 1,300 | 1,300 | 1,241 | 1,241 |
| National governments including developing countries | 3,495 | 3,476 | 3,535 | 3,382 | 3,434 | 3,282 | 3,221 | 3,074 | 2,859 | 3,336 |
| International organizations ⁽¹⁾ | 4,666 | 4,898 | 5,179 | 5,436 | 5,691 | 5,480 | 5,565 | 5,617 | 4,010 | 4,219 |
| Provincial and territorial governments | 1,023 | 937 | 819 | 1,086 | 1,111 | 876 | 709 | 554 | 318 | 48 |
| Other | 1,744 | 1,832 | 1,918 | 1,417 | 1,478 | 1,710 | 2,154 | 2,234 | 2,273 | 3,052 |
| | 33,067 | 33,032 | 34,062 | 35,238 | 35,371 | 33,940 | 27,612 | 26,621 | 23,302 | 22,948 |
| Less allowance for valuation | 12,914 | 12,975 | 13,596 | 15,305 | 16,000 | 14,900 | 11,270 | 10,554 | 9,266 | 9,412 |
| Total loans, investments and advances | 20,153 | 20,057 | 20,466 | 19,933 | 19,371 | 19,040 | 16,342 | 16,067 | 14,036 | 13,536 |
| TOTAL ASSETS | 38,397 | 42,533 | 42,200 | 37,686 | 38,227 | 39,126 | 50,412 | 57,471 | 58,817 | 63,477 |
| ACCUMULATED DEFICIT | 358,820 | 390,820 | 425,177 | 466,198 | 508,210 | 545,672 | 574,289 | 583,186 | 579,708 | 576,824 |

⁽¹⁾ The 1998 expenditures incorporate a change in accounting policy described in Note 2 in section 1 of this volume.

TABLE 2.6

GOVERNMENT OF CANADA

DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS

(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--------------|--------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Loans, investments and advances— | | | | | | | | | | |
| Enterprise Crown corporations and other government business enterprises— | | | | | | | | | | |
| Business Development Bank of Canada | | | -10 | | | | -50 | -50 | | -50 |
| Canada Deposit Insurance Corporation | 320 | 150 | -560 | -1,300 | -66 | 991 | 533 | 772 | 460 | 395 |
| Canada Mortgage and Housing Corporation | 201 | 194 | 65 | 238 | 105 | 240 | 571 | 325 | 230 | 410 |
| Canadian National Railway System | 12 | 13 | 15 | 16 | 17 | 19 | 2,360 | | | |
| Export Development Corporation | -75 | -16 | | | -25 | -38 | -132 | | | |
| Farm Credit Corporation | 104 | -82 | -159 | 71 | -68 | -35 | 214 | -197 | 580 | 836 |
| Other | -2 | -9 | -73 | -412 | 297 | -112 | 59 | -29 | -29 | -43 |
| | 560 | 250 | -722 | -1,387 | 260 | 1,065 | 3,555 | 821 | 1,241 | 1,548 |
| Other loans, investments and advances— | | | | | | | | | | |
| Joint and mixed enterprises | 362 | | | 88 | | | 3,074 | | 59 | |
| National governments including developing countries | 696 | 19 | -59 | 152 | -52 | 152 | 61 | 147 | 215 | -476 |
| International organizations ⁽¹⁾ | -45 | -232 | -281 | -256 | -255 | 211 | -86 | -52 | 1,607 | -209 |
| Provincial and territorial governments | -140 | 86 | 118 | -268 | -25 | 235 | 167 | 155 | 236 | 270 |
| Other | 142 | -88 | -86 | 495 | -61 | -232 | -443 | -80 | -39 | -779 |
| | 1,015 | -215 | -308 | 211 | -393 | 366 | 2,773 | 170 | 2,078 | -1,194 |
| Total loans, investments and advances | 1,575 | 35 | -1,030 | -1,176 | -133 | 1,431 | 6,328 | 991 | 3,319 | 354 |
| Allowance for valuation | -555 | 61 | 621 | 1,709 | 695 | -1,100 | -3,630 | -716 | -1,288 | 146 |
| Total loans, investments and advances after allowance for valuation | 1,020 | 96 | -409 | 533 | 562 | 331 | 2,698 | 275 | 2,031 | 500 |
| Pension and other accounts— | | | | | | | | | | |
| Public sector pensions (net) | 6,385 | 6,511 | 5,742 | 6,030 | 6,186 | 6,936 | 6,849 | 6,323 | 3,252 | 4,950 |
| Canada Pension Plan (net) | 422 | 497 | -278 | -342 | -111 | 678 | 230 | 82 | 487 | 1,222 |
| Other | -21 | 22 | 260 | 309 | 167 | 1,045 | 567 | 460 | 90 | 852 |
| Total pension and other accounts | 6,786 | 7,030 | 5,724 | 5,997 | 6,242 | 8,659 | 7,646 | 6,865 | 3,829 | 7,024 |
| Other transactions— | | | | | | | | | | |
| Cash in transit | 52 | -161 | -706 | -29 | -382 | 72 | -948 | 127 | -468 | -902 |
| Outstanding cheques and warrants | 177 | 1,476 | -1,327 | 533 | 787 | -264 | -51 | -447 | -35 | 827 |
| Accounts receivable | -264 | -744 | -1,043 | 239 | 27 | -412 | -1,619 | 1,556 | 294 | -458 |
| Provincial and territorial tax collection agreements account | -368 | -813 | -241 | -747 | -151 | 870 | 1,058 | 352 | -551 | 1,267 |
| Other liabilities | 997 | 578 | 559 | -2 | 5,077 | 2,364 | 2,650 | 1,434 | 4,151 | 349 |
| Total other transactions | 594 | 336 | -2,758 | -6 | 5,358 | 2,630 | 1,090 | 3,022 | 3,391 | 1,083 |
| Net non-budgetary transactions after allowance for valuation | 8,400 | 7,462 | 2,557 | 6,524 | 12,162 | 11,620 | 11,434 | 10,162 | 9,251 | 8,607 |

Source/requirement (-)

⁽¹⁾ The 1998 expenditures incorporate a change in accounting policy described in Note 2 in section 1 of this volume.

TABLE 2.7

GOVERNMENT OF CANADA

DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

| | Year ended March 31 | | | | | | | | | |
|--|---------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Foreign exchange transactions— | | | | | | | | | | |
| International reserves held in the Exchange Fund | | | | | | | | | | |
| Account | 2,029 | -3,673 | 1,918 | 6,269 | -2,277 | -1,200 | -4,552 | -7,818 | -1,472 | -3,657 |
| International Monetary Fund—Subscriptions | 60 | -91 | -232 | -2,802 | -844 | -990 | 853 | 285 | 101 | -4,854 |
| | 2,089 | -3,764 | 1,686 | 3,467 | -3,121 | -2,190 | -3,699 | -7,533 | -1,371 | -8,511 |
| Less International Monetary Fund—Notes payable | 126 | 5 | -275 | -2,181 | -841 | -586 | 851 | 174 | 766 | -2,693 |
| Special drawing rights allocations | 15 | -23 | -62 | -100 | -152 | -179 | 154 | 52 | 18 | -118 |
| | 141 | -18 | -337 | -2,281 | -993 | -765 | 1,005 | 226 | 784 | -2,811 |
| Total foreign exchange transactions | 1,948 | -3,746 | 2,023 | 5,748 | -2,128 | -1,425 | -4,704 | -7,759 | -2,155 | -5,700 |
| Unmatured debt transactions— | | | | | | | | | | |
| Marketable bonds | 10,575 | 15,404 | 14,499 | 19,781 | 27,142 | 25,142 | 28,660 | 32,744 | 15,788 | 9,575 |
| Treasury bills | 15,850 | 20,600 | 13,150 | 9,750 | 3,950 | -1,550 | 1,650 | -30,700 | -23,100 | -15,350 |
| Canada savings bonds | -6,812 | -6,482 | 1,339 | -1,224 | -2,947 | 43 | | 2,010 | -2,701 | -2,107 |
| Bonds for the Canada Pension Plan | 67 | 420 | 9 | 4 | -8 | -9 | -10 | -10 | -12 | 607 |
| Canada notes and loans | -1,734 | -163 | -7 | -7 | | | 310 | 1,811 | -456 | -404 |
| Canada bills | 315 | -438 | -1,008 | 2,552 | 3,097 | 3,397 | -2,061 | 1,450 | 920 | 815 |
| Total unmaturred debt transactions | 18,261 | 29,341 | 27,982 | 30,856 | 31,234 | 27,023 | 28,549 | 7,305 | -9,561 | -6,864 |
| Cash in bank at end of year— | | | | | | | | | | |
| In Canadian currency | 1,369 | 2,459 | 677 | 2,774 | 2,032 | 1,817 | 8,479 | 9,254 | 10,293 | 9,275 |
| In foreign currencies | 143 | 110 | 97 | 107 | 105 | 76 | 76 | 112 | 86 | 31 |
| Total cash in bank | 1,512 | 2,569 | 774 | 2,881 | 2,137 | 1,893 | 8,555 | 9,366 | 10,379 | 9,306 |

Source/requirement (-)

THE NATIONAL ACCOUNTS PRESENTATION FOR THE YEAR ENDED MARCH 31, 1999 IS NOT PUBLISHED BECAUSE THE RECONCILIATION OF REVENUES AND EXPENDITURES BETWEEN THE PUBLIC ACCOUNTS AND THE NATIONAL ACCOUNTS IS NOT AVAILABLE. THIS IS DUE TO A SIGNIFICANT RESTRUCTURING OF THE PUBLIC SECTOR IN THE REVISED SYSTEM OF NATIONAL ACCOUNTS AND HISTORICAL DATA REVISIONS EXTENDING BACK TO 1961.

SECTION 3

1998-99

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenditures and Accumulated Deficit

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Revenues | 3.2 |
| Accounting for revenues | 3.2 |
| Tax revenues | 3.5 |
| Non-tax revenues | 3.7 |
| Expenditures | 3.8 |
| Accounting for expenditures | 3.8 |
| Government spending | 3.10 |
| Expenditures by standard object | 3.13 |
| Expenditures under statutory authorities | 3.13 |
| Accumulated deficit | 3.15 |

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenditures and accumulated deficit of the Government as summarized in Table 3.1.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 3.1

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT (in millions of dollars)

| | 1998-99 | | 1997-98 | |
|---|------------------|------------------|------------------|------------------|
| | Gross | Net | Gross | Net |
| Revenues— | | | | |
| Tax revenues | 155,795 | 147,726 | 153,696 | 145,919 |
| Non-tax revenues | 11,748 | 7,945 | 10,666 | 7,243 |
| Total revenues, Table 3.2 | 167,543 | 155,671 | 164,362 | 153,162 |
| Expenditures—⁽¹⁾ | | | | |
| Transfer payments | 86,992 | 78,923 | 84,825 | 77,047 |
| Crown corporation expenditures | 4,995 | 3,497 | 3,775 | 2,548 |
| Other program expenditures | 31,278 | 28,973 | 31,353 | 29,158 |
| Total program expenditures | 123,265 | 111,393 | 119,953 | 108,753 |
| Public debt charges | 41,394 | 41,394 | 40,931 | 40,931 |
| Total expenditures, Table 3.6 | 164,659 | 152,787 | 160,884 | 149,684 |
| Surplus for the year | 2,884 | 2,884 | 3,478 | 3,478 |
| Accumulated deficit, beginning of year | (579,708) | (579,708) | (583,186) | (583,186) |
| Accumulated deficit, end of year, Table 3.12 | (576,824) | (576,824) | (579,708) | (579,708) |

⁽¹⁾ The 1998 expenditures incorporate the effect of a change in accounting policy described in Note 2 in Section 1 of this volume.

REVENUES

Revenues consist of all tax and non-tax amounts which enter into the calculation of the annual surplus or deficit of the Government.

Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. However, cases of tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued, are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the Canada child tax benefit program are charged in the period to which they relate.

Tax revenues for a fiscal year include receipts credited to the Receiver General for Canada by the Bank of Canada and the chartered banks by March 31 and amounts received in federal government offices by March 31, but not deposited until April

or not credited to the Receiver General until April. Tax revenues also include amounts received in the mail on the first working day of April, except when it is clear that it was the remitter's intention to discharge an obligation arising in the new fiscal year.

Although a taxpayer's income tax liability relates to a taxation year, collection of individual and corporation income taxes by payroll deductions and instalment payments results in a distribution of receipts throughout the year. Similarly, the GST and other excise taxes and duties are received on a regular basis throughout the year.

Non-tax revenues are reported on an accrual basis.

Table 3.2 presents external revenues by main classification on both a gross and net basis. "Gross revenues" report all external revenues including:

- revenues netted against expenditures where, as authorized by Parliament, certain revenues which are associated with the recovery of certain costs are credited to program spending. In such cases, Parliament votes such funds net of authorized revenues;

- tax credits and repayments where certain tax credits are related to expenditures but are determined through the Income Tax System; and
- revenues of consolidated Crown corporations where, for reporting in the annual financial statements, the financial transactions of certain Crown corporations are included with those of the Government.

"Net revenues" exclude the above three categories.

Chart 3A presents total net revenues by main classification for the current fiscal year while Chart 3B compares total net revenues for the last ten fiscal years.

TABLE 3.2

EXTERNAL REVENUES BY MAIN CLASSIFICATION

(in millions of dollars)

| | 1998-99 | | | | | 1997-98 | |
|--|-------------------------------|--------------------------------------|---|----------------------------|--|-----------------------------|---|
| | Gross revenues ⁽¹⁾ | Revenues netted against expenditures | Deferred revenues netted against expenditures | Tax credits and repayments | Consolidated Crown corporations ⁽²⁾ | Net revenues ⁽¹⁾ | Gross revenues ⁽¹⁾ Net revenues ⁽¹⁾ |
| Tax revenues— | | | | | | | |
| Income tax— | | | | | | | |
| Personal | 77,707 | | | 5,219 | | 72,488 | 75,672 70,787 |
| Corporation | 21,575 | | | | | 21,575 | 22,496 22,496 |
| Other income tax revenues | 2,901 | | | | | 2,901 | 2,974 2,974 |
| | 102,183 | | | 5,219 | | 96,964 | 101,142 96,257 |
| Employment insurance premiums | 19,363 | | | | | 19,363 | 18,802 18,802 |
| Excise taxes and duties— | | | | | | | |
| Goods and services tax, Table 3.4 | 23,534 | | | 2,850 | | 20,684 | 22,353 19,461 |
| Energy taxes — | | | | | | | |
| Excise tax—Gasoline | 4,264 | | | | | 4,264 | 4,144 4,144 |
| Excise tax—Aviation gasoline and diesel fuel | 452 | | | | | 452 | 494 494 |
| | 4,716 | | | | | 4,716 | 4,638 4,638 |
| Customs import duties | 2,359 | | | | | 2,359 | 2,766 2,766 |
| Other excise taxes and duties— | | | | | | | |
| Excise duties | 3,411 | | | | | 3,411 | 3,283 3,283 |
| Miscellaneous excise taxes and duties | 229 | | | | | 229 | 712 712 |
| | 3,640 | | | | | 3,640 | 3,995 3,995 |
| | 34,249 | | | 2,850 | | 31,399 | 33,752 30,860 |
| Total tax revenues | 155,795 | | | 8,069 | | 147,726 | 153,696 145,919 |
| Non-tax revenues— | | | | | | | |
| Return on investments, Table 3.5 | 5,072 | 41 | | | 40 | 4,991 | 4,511 4,427 |
| Other non-tax revenues— | | | | | | | |
| Privileges, licences and permits | 784 | 209 | (1) | | | 576 | 809 691 |
| Refunds of previous years' expenditures | 456 | | | | | 456 | 751 751 |
| Service fees | 1,863 | 1,399 | 4 | | | 460 | 1,816 461 |
| Proceeds from sales | 396 | 301 | | | | 95 | 360 82 |
| Proceeds from the disposal of surplus Crown assets | 43 | | | | | 43 | 50 50 |
| Domestic coinage | 81 | | | | | 81 | 103 103 |
| Net gain on exchange | 94 | | | | | 94 | 215 213 |
| Miscellaneous non-tax revenues | 2,959 | 352 | | | 1,458 | 1,149 | 2,050 465 |
| | 6,676 | 2,261 | 3 | | 1,458 | 2,954 | 6,155 2,816 |
| Total non-tax revenues | 11,748 | 2,302 | 3 | | 1,498 | 7,945 | 10,666 7,243 |
| Total revenues ⁽³⁾ | 167,543 | 2,302 | 3 | 8,069 | 1,498 | 155,671 | 164,362 153,162 |

(1) Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.

(2) Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

(3) Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

CHART 3A

TOTAL NET REVENUES BY MAIN CLASSIFICATION AS OF MARCH 31, 1999

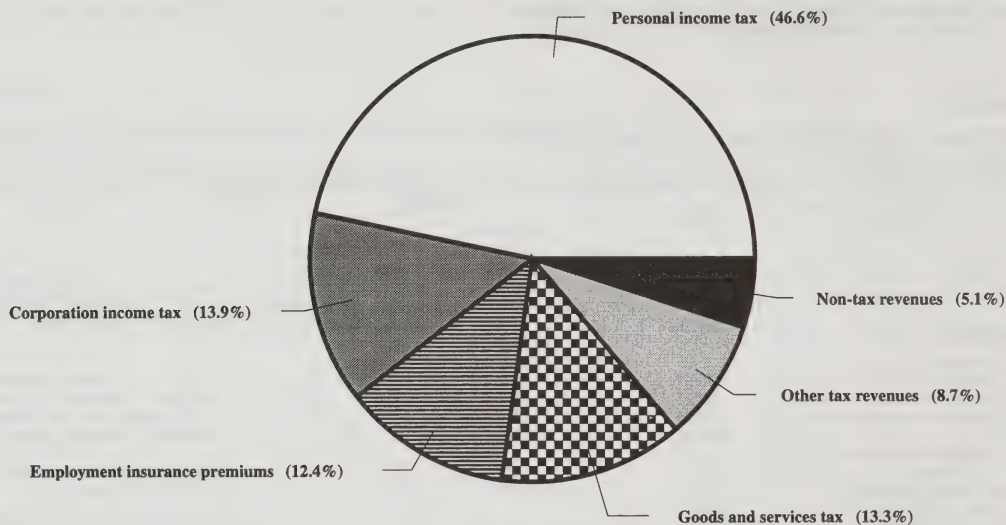
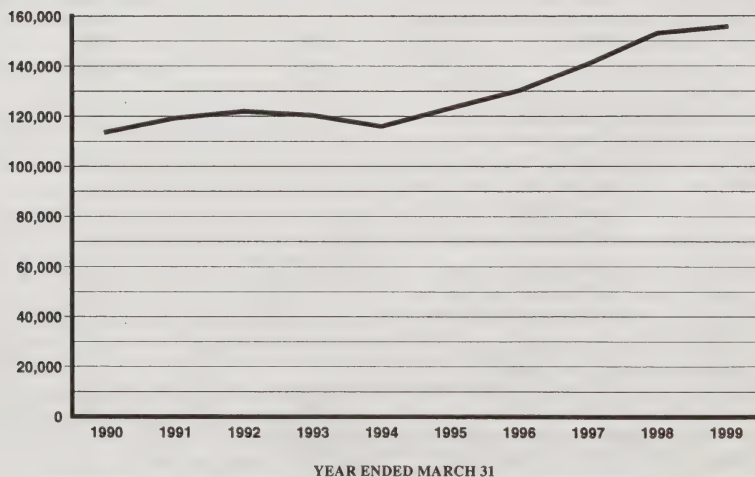


CHART 3B

TOTAL NET REVENUES

(in millions of dollars)



On a day-to-day basis, organizations within the Government transact with each other and thus contribute to gross amounts of revenues and expenditures. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.3 provides details of internal revenue transactions and shows the total of revenues from both internal and external sources. The total gross revenues of \$172,517 million include

the total revenues from all sources. Revenues of consolidated Crown corporations, revenues netted against expenditures and tax credits and repayments are deducted to arrive at net total revenues of \$155,821 million from all sources. The interdepartmental revenues of \$150 million are deducted from the net total revenues to report the net external revenues of \$155,671 million which are detailed in Table 4a in Section 1 of Volume II (Part I).

TABLE 3.3

REVENUES FROM ALL SOURCES
(in millions of dollars)

| | Gross revenues | Less revenues of consolidated Crown corporations | Less revenues netted against expenditures | | Less deferred revenues netted against expenditures | Less tax credits and repayments | Net revenues |
|---|----------------|--|---|-------------------|--|---------------------------------|--------------|
| | | | External revenues | Internal revenues | | | |
| External transactions | 167,543 | 1,498 | 2,302 | | 3 | 8,069 | 155,671 |
| Internal transactions by main classification— | | | | | | | |
| Excise taxes and duties | | | | | | | |
| Return on investments | 27 | | | | | | 27 |
| Privileges, licences and permits | 5 | | | | | | 5 |
| Refunds of previous years' expenditures | 59 | | | | | | 59 |
| Service fees | 3,113 | | | 3,103 | | | 10 |
| Proceeds from sales | 277 | | | 277 | | | |
| Proceeds from the disposal of surplus | | | | | | | |
| Crown assets | 11 | | | | | | 11 |
| Miscellaneous non-tax revenues | 1,482 | | | 1,444 | | | 38 |
| Total internal transactions | 4,974 | | | 4,824 | | | 150 |
| Total revenues | 172,517 | 1,498 | 2,302 | 4,824 | 3 | 8,069 | 155,821 |

Tax Revenues

Tax revenues include personal and corporation income taxes, other income tax revenues, employment insurance premiums, and excise taxes and duties.

Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*. Personal income tax is the largest source of revenues.

Corporation income tax

Corporation income tax is levied on corporation income under the provisions of the *Income Tax Act*.

Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*.

Act. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

Employment insurance premiums

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues.

Excise taxes and duties

Excise taxes and duties are collected under the *Excise Tax Act* and *Customs Tariff*. Excise taxes and duties include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

Goods and services tax

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 7 percent on most goods and services consumed in Canada, with the excep-

tion of basic groceries, most health and dental care services, most educational services, and residential rents. A comparative analysis of the GST is presented in Table 3.4.

TABLE 3.4
GOODS AND SERVICES TAX (GST)⁽¹⁾
 (in thousands of dollars)

| | 1998-99 | 1997-98 |
|---|------------|------------|
| GST and HST received (National Revenue) | 50,114,236 | 46,933,965 |
| Add: GST received by ministries on goods and services sold to outside parties: | | |
| Agriculture and Agri-Food | 5,767 | 5,943 |
| Canadian Heritage | 5,350 | 4,886 |
| Citizenship and Immigration | 5 | 5 |
| Environment | 2,864 | 2,772 |
| Finance | 401 | 72 |
| Fisheries and Oceans | 2,163 | 2,162 |
| Foreign Affairs and International Trade | 1 | 3 |
| Governor General | 13 | 10 |
| Health | 231 | 51 |
| Human Resources Development | 104 | 116 |
| Indian Affairs and Northern Development | 406 | 362 |
| Industry | 3,120 | 3,258 |
| Justice | 109 | 57 |
| National Defence | 1,529 | 1,371 |
| National Revenue | 134 | 129 |
| Natural Resources | 1,384 | 1,357 |
| Parliament | 53 | 52 |
| Privy Council | 67 | 12 |
| Public Works and Government Services | 8,545 | 11,827 |
| Solicitor General | 1,438 | 1,079 |
| Transport | 25,166 | 16,132 |
| Treasury Board | 568 | 576 |
| Veterans Affairs | 26 | 28 |
| | 59,444 | 52,260 |
| Total GST and HST received | 50,173,680 | 46,986,225 |
| Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (National Revenue) | 907,160 | 921,700 |
| refunds paid (National Revenue) | 22,161,813 | 20,499,723 |
| rebates paid (National Revenue) | 1,908,794 | 1,741,119 |
| harmonized sales tax—Transfer to provinces | 1,662,202 | 1,470,466 |
| Gross GST received from outside parties | 23,533,711 | 22,353,217 |
| Less: quarterly tax credits paid (National Revenue) | 2,849,817 | 2,891,725 |
| Net GST received from outside parties | 20,683,894 | 19,461,492 |

⁽¹⁾ Reported in: —Note 4 to the audited financial statements (Section 1 of this volume).
 —Statement of Transactions of the Debt Servicing and Reduction Account (Section 1 of this volume).
 —Statement of revenues in each ministerial section (Volume II-Part I).

Energy taxes

Energy taxes primarily include the excise tax on gasoline, aviation gas and diesel fuel.

Customs import duties

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff*.

Other excise taxes and duties

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as jewellery and passenger vehicle air conditioners.

Non-Tax Revenues

Non-tax revenues include return on investments and other non-tax revenues.

Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses. A comparative analysis of return on investments is presented in Table 3.5.

TABLE 3.5

RETURN ON INVESTMENTS ⁽¹⁾ (in millions of dollars)

| | 1998-99 | 1997-98 |
|---|----------------------|----------------------|
| Consolidated accounts— | | |
| Atomic Energy of Canada Limited..... | 1 | 1 |
| Cash and accounts receivable— | | |
| Interest on bank deposits..... | 380 | 326 |
| Foreign exchange accounts— | | |
| Exchange Fund Account..... | 1,656 | 1,336 |
| International Monetary Fund—Subscriptions..... | 81 | 43 |
| | 1,737 | 1,379 |
| Loans, investments and advances— | | |
| Enterprise Crown corporations— | | |
| Business Development Bank of Canada..... | 6 | 4 |
| Canada Deposit Insurance Corporation..... | 15 | 49 |
| Canada Mortgage and Housing Corporation..... | 591 | 610 |
| Farm Credit Corporation..... | 133 | 169 |
| Other— | | |
| Bank of Canada..... | 1,704 ⁽²⁾ | 1,509 ⁽²⁾ |
| Miscellaneous..... | 75 | 53 |
| | 2,524 | 2,394 |
| Joint and mixed enterprises..... | 20 | 14 |
| National governments including developing countries..... | 157 | 143 |
| International organizations..... | 39 | 33 |
| Provincial and territorial governments..... | 7 | 9 |
| Other loans, investments and advances..... | 8 | 11 |
| | 2,755 | 2,604 |
| Other accounts— | | |
| Eso Ltd—Norman Wells Project profits..... | 12 | 7 |
| Other..... | 4 | 12 |
| | 16 | 19 |
| Total ministerial net return on investments..... | 4,889 | 4,329 |
| Exchange Fund Account adjustment ⁽³⁾ | 114 | 163 |
| Accrual of non-tax revenues..... | 15 | (43) |
| Total net return on investments..... | 5,018 | 4,449 |
| Return on investments internal to the Government..... | (27) | (22) |
| Total net return on investments from outside parties..... | 4,991 | 4,427 |
| External revenues netted against expenditures..... | 41 | 47 |
| Consolidated Crown corporations..... | 40 | 37 |
| Total gross return on investments from outside parties..... | 5,072 | 4,511 |

(1) Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

(2) On an accrual basis, the revenues are as follows: \$1,760 million for 1998-99 and \$1,480 million for 1997-98.

(3) Adjustment to recognize the net income for the 12 month period ending March 31.

Other non-tax revenues

Other non-tax revenues are comprised of proceeds from the disposal of surplus Crown assets and current goods and services, refunds of previous years' expenditures, service fees,

privileges, licences and permits, domestic coinage, and miscellaneous non-tax revenues. Details are reported by individual ministry in Volume II (Part I) of the *Public Accounts of Canada*.

EXPENDITURES

Expenditures consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

Accounting for Expenditures

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid, when the recipient has fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or

authorization for payment receives parliamentary approval. Capital leases are recorded as expenditures over the lease term as payments are due. Expenditures include allowances to reflect changes in the value of assets or liabilities at their economic value, and amortization of deferred costs.

Table 3.6 presents external expenditures by type on both a gross and a net basis. The difference between gross and net expenditures is revenues netted against expenditures, revenues of consolidated Crown corporations netted against expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues netted against expenditures.

TABLE 3.6
EXTERNAL EXPENDITURES BY TYPE
(in millions of dollars)

| | 1998-99 | | | | 1997-98 | | |
|--|-----------------------------------|--------------------------------------|----------------------------|--|---------------------------------|-----------------------------------|---------------------------------|
| | Gross expenditures ⁽¹⁾ | Revenues netted against expenditures | Tax credits and repayments | Consolidated Crown corporations ⁽²⁾ | Net expenditures ⁽¹⁾ | Gross expenditures ⁽¹⁾ | Net expenditures ⁽¹⁾ |
| Transfer payments — | | | | | | | |
| Old age security benefits, guaranteed income supplement and spouse's allowance | 22,285 | | (496) | | 22,781 | 21,758 | 22,225 |
| Employment insurance benefits | 11,884 | | | | 11,884 | 11,842 | 11,842 |
| Other levels of government— | | | | | | | |
| Canada health and social transfer | 16,018 | | | | 16,018 | 12,421 | 12,421 |
| Fiscal arrangements | 11,645 | | | | 11,645 | 10,000 | 10,000 |
| Canada Assistance Plan | 8 | | | | 8 | 24 | 24 |
| Insurance and medical care | 2 | | | | 2 | 162 | 162 |
| Education support | | | | | | 5 | 5 |
| Alternative payments for standing programs | (2,150) | | | | (2,150) | (2,108) | (2,108) |
| | 25,523 | | | | 25,523 | 20,504 | 20,504 |
| Canada child tax benefits | 5,715 | | 5,715 | | | 5,352 | |
| | 65,407 | | 5,219 | | 60,188 | 59,456 | 54,571 |
| Other transfer payments — | | | | | | | |
| Foreign Affairs and International Trade | 2,065 | | | | 2,065 | 2,084 | 2,084 |
| Health | 1,180 | | | | 1,180 | 902 | 902 |
| Human Resources Development | 2,429 | | | | 2,429 | 2,076 | 2,076 |
| Indian Affairs and Northern Development | 4,451 | | | | 4,451 | 3,978 | 3,978 |
| Industry | 2,282 | | | | 2,282 | 2,977 | 2,977 |
| Veterans Affairs | 1,377 | | | | 1,377 | 1,374 | 1,374 |
| Other ⁽³⁾ | 7,801 | | 2,850 | | 4,951 | 11,978 | 9,085 |
| Total other transfer payments | 21,585 | | 2,850 | | 18,735 | 25,369 | 22,476 |
| Total transfer payments | 86,992 | | 8,069 | | 78,923 | 84,825 | 77,047 |
| Crown corporation expenditures | 4,995 | | | 1,498 | 3,497 | 3,775 | 2,548 |
| Other program expenditures— | | | | | | | |
| Fisheries and Oceans | 1,119 | 39 | | | 1,080 | 1,128 | 1,092 |
| Foreign Affairs and International Trade | 1,315 | 67 | | | 1,248 | 1,215 | 1,153 |
| Health | 1,135 | 52 | | | 1,083 | 1,031 | 974 |
| Human Resources Development | 1,835 | (23) | | | 1,858 | 1,550 | 1,505 |
| Industry | 1,836 | 117 | | | 1,719 | 1,652 | 1,536 |
| National Defence | 9,125 | 344 | | | 8,781 | 9,240 | 8,879 |
| National Revenue | 2,641 | 60 | | | 2,581 | 2,199 | 2,199 |
| Public Works and Government Services | 2,124 | 220 | | | 1,904 | 2,064 | 1,824 |
| Solicitor General | 3,423 | 759 | | | 2,664 | 3,367 | 2,637 |
| Other | 6,725 | 670 | | | 6,055 | 7,907 | 7,359 |
| Total other program expenditures | 31,278 | 2,305 | | | 28,973 | 31,353 | 29,158 |
| Total program expenditures | 123,265 | 2,305 | 8,069 | 1,498 | 111,393 | 119,953 | 108,753 |
| Public debt charges, Table 3.9 | 41,394 | | | | 41,394 | 40,931 | 40,931 |
| Total expenditures ⁽⁴⁾ | 164,659 | 2,305 | 8,069 | 1,498 | 152,787 | 160,884 | 149,684 |

⁽¹⁾ Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.

⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

⁽³⁾ The 1998 expenditures incorporate the effect of a change in accounting policy described in Note 2 in Section 1 of this volume.

⁽⁴⁾ Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

Chart 3C presents total net expenditures by type for the current fiscal year, while Chart 3D compares total net expenditures for the last ten fiscal years.

CHART 3C

TOTAL NET EXPENDITURES BY TYPE AS OF MARCH 31, 1999

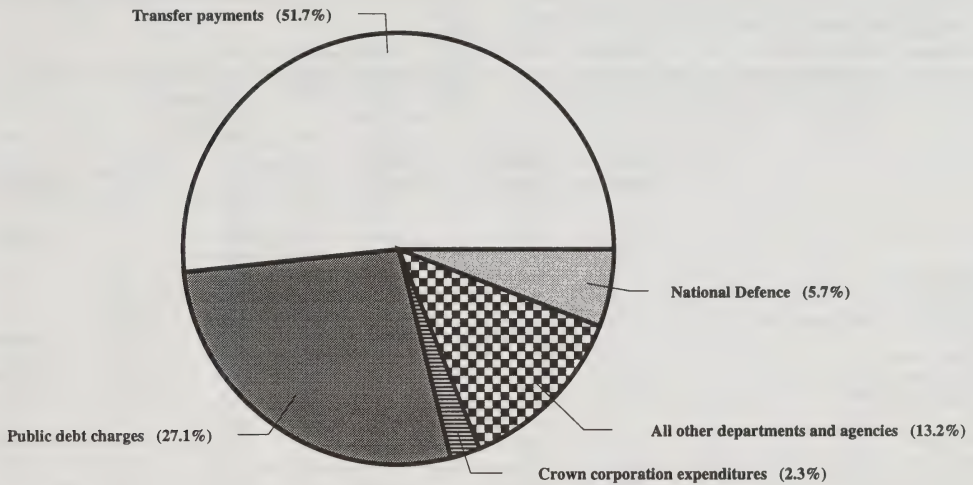
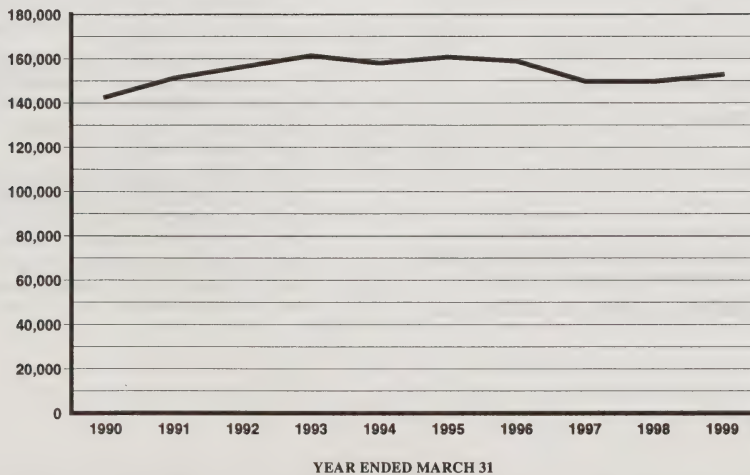


CHART 3D

TOTAL NET EXPENDITURES

(in millions of dollars)



On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenditures recorded in the accounts. In preparing the financial statements, these "internal transac-

tions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.7 provides details of internal expenditure transactions and shows the total of expenditures transacted by the Government with all sources.

TABLE 3.7
EXPENDITURES BY SOURCE
(in millions of dollars)

| | Gross expenditures | Less tax credits and repayments | Less revenues of consolidated Crown corporations | Less revenues netted against expenditures | | Net expenditures |
|---|--------------------|---------------------------------|--|---|-------------------|------------------|
| | | | | External revenues | Internal revenues | |
| External transactions | 164,659 | 8,069 | 1,498 | 2,305 | | 152,787 |
| Internal transactions — | | | | | | |
| Canadian Heritage | 17 | | | | 15 | 2 |
| Environment | 30 | | | | 30 | |
| Foreign Affairs and International Trade | 13 | | | | 7 | 6 |
| Industry | 68 | | | | 54 | 14 |
| National Defence | 54 | | | | 19 | 35 |
| National Revenue | 89 | | | | 77 | 12 |
| Public Works and Government Services | 3,084 | | | | 3,068 | 16 |
| Solicitor General | 83 | | | | 75 | 8 |
| Transport | 30 | | | | 28 | 2 |
| Treasury Board | 70 | | | | 69 | 1 |
| Other | 76 | | | | 22 | 54 |
| Total internal transactions | 3,614 | | | | 3,464 | 150 |
| Total expenditures | 168,273 | 8,069 | 1,498 | 2,305 | 3,464 | 152,937 |

Government Spending

Government spending consists of four major types:

- transfer payments;
- Crown corporation expenditures;
- other program expenditures; and,
- public debt charges.

Transfer payments

Transfer payments include:

- payments to persons for income support or income supplement. Assistance is based on age, family status, income, and employment criteria;
- payments to provinces and territories under two main programs:

— fiscal arrangements: unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,

— Canada Health and Social Transfers are replacing the Canada Assistance Plan and Established Program Financing as a major means for providing the federal share of social programs administered by the provinces;

- other transfer payments, including various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, and other miscellaneous payments.

Table 3.8 presents a comparative analysis by province of certain transfer payments.

TABLE 3.8
CERTAIN TRANSFER PAYMENTS BY PROVINCE
(in millions of dollars)

| | Old age security benefits ⁽¹⁾ | Employment insurance benefits | Fiscal arrangements | Alternative payments for standing programs | Canada health and social transfer | Insurance and medical care | | Canada Assistance Plan | Education support | Canada Child tax benefits | Total |
|--------------------------------------|--|-------------------------------|---------------------|--|-----------------------------------|----------------------------|----------------|------------------------|-------------------|---------------------------|---------------|
| | | | | | | Extended health care | Insured health | | | | |
| Newfoundland | 474 | 690 | 1,226 | | 275 | | (1) | | | | 2,664 |
| | <i>468</i> | <i>685</i> | <i>1,039</i> | | <i>280</i> | | <i>(1)</i> | | | | <i>2,471</i> |
| Prince Edward Island | 124 | 167 | 268 | | 62 | | | | | | 621 |
| | <i>123</i> | <i>174</i> | <i>208</i> | | <i>59</i> | | <i>(1)</i> | 5 | | | <i>568</i> |
| Nova Scotia | 808 | 567 | 1,339 | | 432 | | | (1) | | | 3,145 |
| | <i>803</i> | <i>571</i> | <i>1,258</i> | | <i>419</i> | 1 | <i>(1)</i> | | | | <i>3,051</i> |
| New Brunswick | 667 | 647 | 1,210 | | 339 | | | 1 | | | 2,864 |
| | <i>659</i> | <i>642</i> | <i>1,043</i> | | <i>328</i> | | <i>(1)</i> | 4 | 23 | | <i>2,698</i> |
| Quebec | 6,059 | 3,642 | 4,946 | (2,150) | 3,851 | (3) | (11) | | | | 16,334 |
| | <i>5,893</i> | <i>3,717</i> | <i>3,779</i> | <i>(2,108)</i> | <i>3,779</i> | 5 | <i>41</i> | | | | <i>15,106</i> |
| Ontario | 7,965 | 3,096 | 5 | | 3,939 | (5) | (26) | 6 | | | 14,980 |
| | <i>7,763</i> | <i>3,316</i> | <i>31</i> | | <i>3,913</i> | 7 | <i>(24)</i> | | (38) | | <i>14,968</i> |
| Manitoba | 972 | 322 | 915 | | 516 | | 1 | 2 | | | 2,728 |
| | <i>962</i> | <i>331</i> | <i>1,127</i> | | <i>489</i> | | <i>(3)</i> | | 27 | | <i>2,933</i> |
| Saskatchewan | 941 | 276 | 444 | | 425 | | 3 | | | | 2,089 |
| | <i>933</i> | <i>236</i> | <i>11</i> | | <i>439</i> | | <i>(2)</i> | | (1) | | <i>1,616</i> |
| Alberta | 1,734 | 810 | 5 | | 968 | 1 | 9 | | | | 3,527 |
| | <i>1,678</i> | <i>655</i> | <i>3</i> | | <i>903</i> | 2 | <i>(4)</i> | 33 | (1) | | <i>3,269</i> |
| British Columbia | 2,865 | 1,600 | 5 | | 1,862 | 3 | 30 | | | | 6,365 |
| | <i>2,779</i> | <i>1,537</i> | <i>3</i> | | <i>1,542</i> | 2 | <i>(12)</i> | (5) | (5) | | <i>5,841</i> |
| Total provinces | 22,609 | 11,817 | 10,363 | (2,150) | 12,669 | (4) | 5 | 8 | | | 55,317 |
| | <i>22,061</i> | <i>11,864</i> | <i>8,502</i> | <i>(2,108)</i> | <i>12,151</i> | 17 | <i>(8)</i> | 37 | 5 | | <i>52,521</i> |
| Northwest Territories | 19 | 33 | 996 | | 46 | | 1 | | | | 1,095 |
| | <i>17</i> | <i>31</i> | <i>848</i> | | <i>39</i> | | <i>1</i> | | | | <i>936</i> |
| Yukon Territory | 10 | 29 | 329 | | 19 | | | | | | 387 |
| | <i>9</i> | <i>28</i> | <i>284</i> | | <i>15</i> | | | | | | <i>336</i> |
| International | 143 | 2 | | | | | | | | | 145 |
| | <i>144</i> | <i>2</i> | | | | | | | | | <i>146</i> |
| Sub-total | 22,781 | 11,881 | 11,688 | (2,150) | 12,734 | (4) | 6 | 8 | | | 56,944 |
| | <i>22,231</i> | <i>11,925</i> | <i>9,634</i> | <i>(2,108)</i> | <i>12,205</i> | 17 | <i>(7)</i> | 37 | 5 | | <i>53,939</i> |
| Provision for valuation | | 3 | (43) | | 3,284 | | | | | | 3,244 |
| | | <i>(83)</i> | <i>366</i> | | <i>216</i> | | | <i>(13)</i> | | | <i>486</i> |
| Total (Net) | 22,781 | 11,884 | 11,645 | (2,150) | 16,018 | (4) | 6 | 8 | | | 60,188 |
| | <i>22,231</i> | <i>11,842</i> | <i>10,000</i> | <i>(2,108)</i> | <i>12,421</i> | 17 | <i>(7)</i> | 24 | 5 | | <i>54,425</i> |
| Add tax credits and repayments | (496) | | | | | | | | | 5,715 | 5,219 |
| | <i>(473)</i> | | | | | | 152 | | | <i>5,352</i> | <i>5,031</i> |
| Total (Gross) | 22,285 | 11,884 | 11,645 | (2,150) | 16,018 | (4) | 6 | 8 | | 5,715 | 65,407 |
| | <i>21,758</i> | <i>11,842</i> | <i>10,000</i> | <i>(2,108)</i> | <i>12,421</i> | 17 | <i>145</i> | 24 | 5 | <i>5,352</i> | <i>59,456</i> |

Amounts in roman type are 1998-99 transfer payments.

Amounts in *italic* type are 1997-98 transfer payments.

⁽¹⁾ Includes the guaranteed income supplement and the spouse's allowance.

Crown corporation expenditures

Crown corporation expenditures include the net expenditures (expenditures less revenues) of consolidated Crown corporations and the expenditures related to enterprise Crown corporations.

Other program expenditures

Other program expenditures include defence spending, as well as Government administration and specific services delivered to the public. This spending covers the operating and capital costs associated with programs directly delivered by the federal Government such as food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system, to name just a few.

Public debt charges

Public debt charges include the interest on unmatured debt and on pension and other accounts, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.9. The table also discloses the reconciling items between total public debt charges as reported in the Finance ministerial section (Section 6) of Volume II (Part I) and the total net expenditures of the public debt indicated in Table 3.6. The reconciling items include the expenditures of the consolidated specified purpose accounts and the provision for valuation and other items.

TABLE 3.9
PUBLIC DEBT CHARGES⁽¹⁾
(in millions of dollars)

| | 1998-99 | 1997-98 |
|--|---------|---------|
| Unmatured debt— | | |
| Interest on: | | |
| Marketable bonds | 24,198 | 23,819 |
| Canada savings bonds | 1,272 | 1,969 |
| Bonds for Canada Pension Plan | 391 | 361 |
| Canada notes | 54 | 114 |
| Euro medium term notes | 137 | 26 |
| | 26,052 | 26,289 |
| Amortization of premiums, discounts and commissions on: | | |
| Treasury bills | 4,266 | 4,314 |
| Marketable bonds | 242 | 160 |
| Canada bills | 499 | 428 |
| Canada savings bonds | 37 | 37 |
| | 5,044 | 4,939 |
| Servicing costs and costs of issuing new borrowings | 145 | 150 |
| Total public debt charges related to unmatured debt | 31,241 | 31,378 |
| Interest on: | | |
| Pension and other accounts— | | |
| Public sector pensions—Superannuation accounts | 12,160 | 11,705 |
| Canada Pension Plan | 261 | 158 |
| Government Annuities Account | 41 | 43 |
| Deposit and trust accounts | 57 | 66 |
| Other specified purpose accounts | 221 | 191 |
| | 12,740 | 12,163 |
| Other accounts | 73 | 52 |
| Total public debt charges related to pension and other accounts | 12,813 | 12,215 |
| Interest on consolidated specified purpose accounts— | | |
| Employment Insurance Account | 764 | 364 |
| Agricultural Commodities Stabilization Accounts | (2) | (2) |
| Other | 14 | 14 |
| Total public debt charges related to consolidated specified purpose accounts | 778 | 378 |
| Total public debt charges ⁽³⁾ | 44,832 | 43,971 |
| Provision for valuation and other items | (2,660) | (2,662) |
| | 42,172 | 41,309 |
| Less: total public debt charges related to consolidated specified purpose accounts | 778 | 378 |
| Total net/gross public debt charges with outside parties | 41,394 | 40,931 |

⁽¹⁾ Additional details are provided in Table 2a in Section 1 of Volume II (Part I).

⁽²⁾ Less than \$ 500,000.

⁽³⁾ Additional details are provided in Section 9 of Volume II (Part II).

Expenditures by Standard Object

Table 3.10 presents total expenditures by standard object on both a gross and net basis for the current fiscal year.

TABLE 3.10

TOTAL EXPENDITURES BY STANDARD OBJECT

(in millions of dollars)

| | Total expenditures | Less: | | Total external expenditures |
|---|-----------------------|--------------------------|--|-----------------------------------|
| | | Internal expenditures | Internal revenues netted against expenditures | |
| Personnel | 16,334 | | (14) | 16,348 |
| Transportation and communications | 1,920 | 8 | 179 | 1,733 |
| Information | 379 | 2 | 40 | 337 |
| Professional and special services | 5,161 | 48 | 1,106 | 4,007 |
| Rentals | 1,833 | 30 | 698 | 1,105 |
| Purchased repair and maintenance | 1,780 | 11 | 267 | 1,502 |
| Utilities, materials and supplies | 2,791 | 4 | 87 | 2,700 |
| Construction or acquisition of land, buildings and works | 1,191 | 18 | 430 | 743 |
| Construction or acquisition of machinery and equipment | 2,335 | 1 | 22 | 2,312 |
| Transfer payments | 86,992 | | | 86,992 |
| Public debt charges | 41,394 | | | 41,394 |
| Other subsidies and payments | 6,163 | 28 | 649 | 5,486 |
| Total gross expenditures | 168,273 | 150 | 3,464 | 164,659 |
| Add: | | | | |
| Employment Insurance Account | 1,360 | | 1,360 | |
| Internal expenditures | | 150 | | (150) |
| Less: | | | | |
| Revenues netted against expenditures— | | | | |
| External revenues | 2,305 | | | 2,305 |
| Internal revenues | 4,824 | 150 | 4,824 | (150) |
| Revenues of consolidated Crown corporations | 1,498 | | | 1,498 |
| Tax credits and repayments | 8,069 | | | 8,069 |
| | (15,336) | | (3,464) | (11,872) |
| Total net expenditures | 152,937 | 150 | | 152,787 |

Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total net expenditures each year.

Table 3.11 presents a comparative summary of these statutory expenditures. The table also discloses the reconciling items between total ministerial expenditures under statutory authorities and total net statutory expenditures. The reconciling items include the statutory expenditures of the consolidated specified purpose accounts and the provision for valuation. External revenues netted against expenditures have been added to the total net statutory expenditures to obtain the total gross statutory expenditures with outside parties.

TABLE 3.11
EXPENDITURES UNDER STATUTORY AUTHORITIES
(in millions of dollars)

| | 1998-99 | 1997-98 |
|---|---------|---------|
| Public debt charges | 44,832 | 43,971 |
| Old age security payments (<i>Old Age Security Act</i>) | 17,564 | 17,114 |
| Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i>) | 12,734 | 12,205 |
| Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i>) | 10,766 | 8,868 |
| Guaranteed income supplement payments (<i>Old Age Security Act</i>) | 4,835 | 4,729 |
| Canadian Millennium Scholarship Foundation | 2,500 | |
| Spouse's allowance payments (<i>Old Age Security Act</i>) | 383 | 389 |
| Transition period payments to NAV CANADA under the <i>Civil Air Navigation Services Commercialization Act</i> | 216 | 686 |
| Payment to the Canada Foundation for Innovation (Part XI— <i>Budget Implementation Act, 1997</i>) | | 801 |
| Superannuation, supplementary retirement benefits, death benefits and other pensions— ⁽¹⁾ | | |
| Public Service— | | |
| Government's matching contributions to the Public Service Superannuation Account | 1,339 | 1,050 |
| Government's contribution as employer to the Employment Insurance Account | 285 | 285 |
| Government's matching contributions to the Canada and the Quebec Pension Plans | 240 | 194 |
| Government's matching contributions to the Death Benefit Account | 6 | 7 |
| Less: recoveries from revolving funds | 1,870 | 1,536 |
| | 69 | 76 |
| | 1,801 | 1,460 |
| Canadian Forces— | | |
| Government's matching contribution to the Canadian Forces Superannuation Account | 398 | 404 |
| Statutory payments under the <i>Supplementary Retirement Benefits Act</i> | 13 | 13 |
| Government's contribution as employer to the Employment Insurance Account | 91 | 92 |
| Government's matching contribution to the Canada and the Quebec Pension Plans | 78 | 66 |
| Government's matching contribution to the Death Benefit Account | 3 | 3 |
| | 583 | 578 |
| Royal Canadian Mounted Police— | | |
| Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account | 141 | 126 |
| Statutory payments under the <i>Supplementary Retirement Benefits Act</i> | 19 | 25 |
| Government's contribution as employer to the Employment Insurance Account | 24 | 25 |
| Government's matching contribution to the Canada and the Quebec Pension Plans | 21 | 17 |
| | 205 | 193 |
| All other statutory expenditures | 1,184 | 1,446 |
| Total ministerial expenditures under statutory authorities | 97,603 | 92,440 |
| Consolidated specified purpose accounts— | | |
| Employment Insurance Account | 11,881 | 11,925 |
| Crop Reinsurance Fund | (1) | (164) |
| Agricultural Commodities Stabilization Accounts | | 12 |
| Other | 214 | 569 |
| Total expenditures of consolidated specified purpose accounts | 12,094 | 12,342 |
| Provision for valuation and other items ⁽²⁾ | (3,412) | (69) |
| Total net statutory expenditures with outside parties | 106,285 | 104,713 |
| External revenues netted against expenditures | 2,305 | 2,196 |
| Total gross statutory expenditures with outside parties | 108,590 | 106,909 |

⁽¹⁾ Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.

⁽²⁾ The 1998 expenditures incorporate the effect of a change in accounting policy described in Note 2 in Section 1 of this volume.

ACCUMULATED DEFICIT

The accumulated deficit account represents the net accumulation of annual deficits and surpluses of the Government of Canada since Confederation, together with certain amounts charged or credited directly to this account reflecting changes in accounting policies introduced over the years. The accumulated deficit is equal to the excess of recorded liabilities over total assets.

A Statement of Revenues, Expenditures and Accumulated Deficit is published in Section 1 of this volume.

Table 3.12 presents a ten year comparative statement of the accumulated deficit, in terms of total liabilities and total assets. Chart 3E presents the accumulated deficit for the last ten fiscal years.

TABLE 3.12

STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS

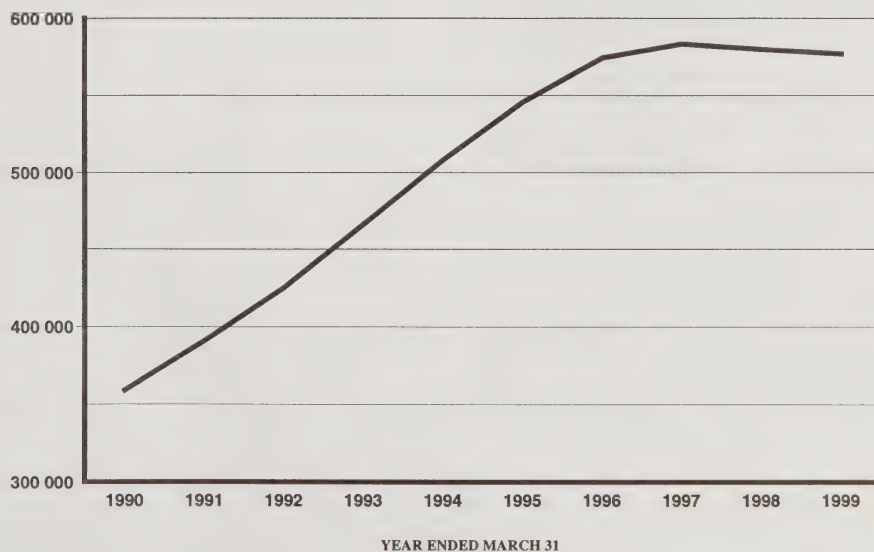
(in millions of dollars)

| As at March 31 | Total liabilities | Less total assets | Accumulated deficit | |
|----------------|-------------------|-------------------|---------------------|---------------------|
| | | | Amount | Increase (Decrease) |
| 1999 | 640,301 | 63,477 | 576,824 | (2,884) |
| 1998 | 638,525 | 58,817 | 579,708 | (3,478) |
| 1997 | 640,657 | 57,471 | 583,186 | 8,897 |
| 1996 | 624,701 | 50,412 | 574,289 | 28,617 |
| 1995 | 584,798 | 39,126 | 545,672 | 37,462 |
| 1994 | 546,437 | 38,227 | 508,210 | 42,012 |
| 1993 | 503,884 | 37,686 | 466,198 | 41,021 |
| 1992 | 467,377 | 42,200 | 425,177 | 34,357 |
| 1991 | 433,353 | 42,533 | 390,820 | 32,000 |
| 1990 | 397,217 | 38,397 | 358,820 | 28,930 |

CHART 3E

ACCUMULATED DEFICIT

(in millions of dollars)



SECTION 4

1998-99

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Consolidated Crown corporations | 4.3 |
| Summary financial statements of consolidated Crown corporations | 4.3 |
| Contingent liabilities of consolidated Crown corporations | 4.8 |
| Financial assistance under budgetary appropriations to consolidated Crown corporations | 4.9 |
| Consolidated specified purpose accounts | 4.10 |
| Major Accounts— | |
| Western Grain Stabilization Account | 4.12 |
| Employment Insurance Account | 4.13 |
| Insurance Accounts | 4.13 |
| Other Specified Purpose Accounts | 4.14 |
| Supplementary statement— | |
| Employment Insurance Account | 4.18 |

CONSOLIDATED CROWN CORPORATIONS

This section provides all related information on consolidated Crown corporations. Consolidated Crown corporations are those Crown corporations who rely on Government funding as their principal source of revenue.

Consolidation involves the combination of the accounts of these corporations on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations' accounts must be adjusted to the Government basis of accounting. Most corporations follow generally accepted accounting principles (GAAP) used by private sector companies. The most significant difference between GAAP and the Government basis of accounting is that under GAAP, non-financial assets such as buildings, machinery, equipment and inventories are reflected as assets and written-off over their respective lives or as they are consumed or used. The Government treats the acquisition of non-financial assets as expenditures in the year of acquisition.

Summary Financial Statements of Consolidated Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations.

For those corporations having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and, loans and investments between related parties. Physical assets and deferred charges are assets such as property, plant and equipment and inventories that are accounted for under generally accepted accounting principles by most corporations which differ from those of the Government. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent long-term debts payable of the corporations. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues are the inflow of cash, receivables and other consideration arising in the course of ordinary activities of a corporation, normally the sale of goods, the rendering of services and the use by others of enterprise resources yielding interest, royalties and dividends. Revenues are segregated between third parties and Government and Crown corporations. Government and Crown corporations' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are the outflow or reduction of assets or incurrence of liabilities resulting from a corporation's ordinary revenue generating or service delivery activities. Expenses are segregated between third parties and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the Crown corporation. Equity transactions other than current year's net income or loss are segregated between adjustments and transactions with the Government. Adjustments include prior period adjustments and other items affecting equity as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 1999. Contingent liabilities of consolidated corporations are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 1999 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS — ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | Assets | | | Total assets |
|---|---------------|-----------------------------------|--------------------------------------|--------------|
| | Financial | Government and Crown corporations | Physical assets and deferred charges | |
| Crown corporations ⁽¹⁾ | Third parties | | | |
| Atomic Energy of Canada Limited | 220,896 | 15,973 | 695,240 | 932,109 |
| Canada Council | 205,685 | 59,780 | 23,558 | 289,023 |
| Canada Lands Company Limited | | | | |
| Old Port of Montreal Corporation Inc. | 5,657 | | 143 | 5,800 |
| Canada Mortgage and Housing Corporation | | | | |
| Minister's Account | | | | |
| Canadian Broadcasting Corporation | 103,731 | 92,571 | 1,278,211 | 1,474,513 |
| Canada Race Relations Foundation | 2,876 | 24,000 | 96 | 26,972 |
| Canadian Dairy Commission | | | | |
| Dairy Support Operation Financed | | | | |
| by the Government of Canada | | 17,179 | | 17,179 |
| Canadian Film Development Corporation | 11,766 | 27,777 | 2,497 | 42,040 |
| Canadian Museum of Civilization | 18,171 | 709 | 15,198 | 34,078 |
| Canadian Museum of Nature | 4,590 | 326 | 38,096 | 43,012 |
| Defence Construction (1951) Limited | 2,970 | 3,967 | 871 | 7,808 |
| Enterprise Cape Breton Corporation | 6,942 | 3,285 | 310 | 10,537 |
| Queens Quay West Land Corporation ⁽²⁾ | 1,510 | | | 1,510 |
| International Development Research Centre | 31,260 | 15,620 | 9,043 | 55,923 |
| Jacques Cartier and Champlain Bridges Incorporated, The | 3,207 | 3,660 | 11,901 | 18,768 |
| Marine Atlantic Inc | 11,897 | | 199,497 | 211,394 |
| National Arts Centre Corporation | 9,644 | 322 | 8,222 | 18,188 |
| National Capital Commission | 48,330 | 1,218 | 375,279 | 424,827 |
| National Gallery of Canada | 9,856 | 914 | 9,960 | 20,730 |
| National Museum of Science and Technology | 3,549 | 361 | 8,375 | 12,285 |
| Standards Council of Canada | 1,846 | 627 | 1,189 | 3,662 |
| VIA Rail Canada Inc | 74,427 | 24,223 | 533,074 | 631,724 |
| Total | 778,810 | 292,512 | 3,210,760 | 4,282,082 |
| Conversion to the Government accounting | | | | |
| basis for consolidation purposes | 354 | | 3,210,760 | 3,211,114 |
| Total on the Government accounting basis | 778,456 | 292,512 | | 1,070,968 |

(1) All Crown corporations listed in this table are parent Crown corporations except the following: Old Port of Montreal Corporation Inc., and The Jacques Cartier and Champlain Bridges Incorporated.

(2) Pursuant to Bill C-8, the dissolution of Queens Quay West Land Corporation has been delayed indefinitely.

| Liabilities | | | | | |
|---------------|-----------|-----------------------------------|-------------------|------------------|------------------------------|
| Third parties | | Government and Crown corporations | Total liabilities | Equity of Canada | Total liabilities and equity |
| Borrowings | Other | | | | |
| | 405,827 | 106,835 | 512,662 | 419,447 | 932,109 |
| | 101,368 | 321 | 101,689 | 187,334 | 289,023 |
| | 4,956 | 702 | 5,658 | 142 | 5,800 |
| | 817,483 | 732,629 | 1,550,112 | (75,599) | 1,474,513 |
| | 61 | 283 | 344 | 26,628 | 26,972 |
| | 17,179 | | 17,179 | | 17,179 |
| | 10,807 | 10 | 10,817 | 31,223 | 42,040 |
| | 11,326 | 13,076 | 24,402 | 9,676 | 34,078 |
| | 36,860 | 6,925 | 43,785 | (773) | 43,012 |
| | 5,453 | 89 | 5,542 | 2,266 | 7,808 |
| | 6,055 | 705 | 6,760 | 3,777 | 10,537 |
| | 1,986 | 45,800 | 47,786 | (46,276) | 1,510 |
| | 18,740 | 32,742 | 51,482 | 4,441 | 55,923 |
| | 4,431 | 5 | 4,436 | 14,332 | 18,768 |
| | 227,397 | 6,602 | 233,999 | (22,605) | 211,394 |
| | 14,590 | 2,128 | 16,718 | 1,470 | 18,188 |
| | 35,091 | 3,036 | 38,127 | 386,700 | 424,827 |
| | 6,363 | 10,401 | 16,764 | 3,966 | 20,730 |
| | 3,504 | 224 | 3,728 | 8,557 | 12,285 |
| | 1,742 | 300 | 2,042 | 1,620 | 3,662 |
| | 123,521 | 7,333 | 130,854 | 500,870 | 631,724 |
| | 1,854,740 | 970,146 | 2,824,886 | 1,457,196 | 4,282,082 |
| | 788,064 | 708,004 | 1,496,068 | 1,715,046 | 3,211,114 |
| | 1,066,676 | 262,142 | 1,328,818 | (257,850) | 1,070,968 |

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| Crown corporations | Third parties | Revenues | | Total |
|--|---------------|-----------------------------------|---------|-----------|
| | | Government and Crown corporations | Other | |
| Atomic Energy of Canada Limited | 613,634 | 133,178 | 498 | 747,310 |
| Canada Council | 19,365 | 116,169 | 5,854 | 141,388 |
| Canada Lands Company Limited Old Port of Montreal Corporation Inc. | 8,495 | | | 8,495 |
| Canada Mortgage and Housing Corporation Minister's Account | | 1,865,469 | | 1,865,469 |
| Canadian Broadcasting Corporation | 480,130 | 775,006 | 3,935 | 1,259,071 |
| Canada Race Relations Foundation | 1,235 | 1,033 | | 2,268 |
| Canadian Dairy Commission Dairy Support Operation Financed by the Government of Canada | | 2,465 | 120,088 | 122,553 |
| Canadian Film Development Corporation | 24,684 | | | 24,684 |
| Canadian Museum of Civilization | 11,428 | 43,722 | 3,050 | 58,200 |
| Canadian Museum of Nature | 1,649 | 20,737 | 536 | 22,922 |
| Defense Construction (1951) Limited | | | 17,320 | 17,320 |
| Enterprise Cape Breton Corporation | 777 | | 31 | 808 |
| Queens Quay West Land Corporation | 348 | 3,500 | | 3,848 |
| International Development Research Centre | 10,443 | 86,086 | 28,521 | 125,050 |
| Jacques Cartier and Champlain Bridges Incorporated, The | 822 | 22,265 | 73 | 23,160 |
| Marine Atlantic Inc | 50,328 | 21,349 | | 71,677 |
| National Arts Centre Corporation | 23,082 | 21,285 | 1,669 | 46,036 |
| National Capital Commission | 20,194 | 91,623 | 4,485 | 116,302 |
| National Gallery of Canada | 8,976 | 33,272 | | 42,248 |
| National Museum of Science and Technology | 4,125 | 19,627 | 51 | 23,803 |
| Standards Council of Canada | 2,956 | 5,107 | 955 | 9,018 |
| VIA Rail Canada Inc. | 208,233 | 162,728 | 1,492 | 372,453 |
| Total | 1,490,904 | 3,424,621 | 188,558 | 5,104,083 |
| Conversion to the Government accounting basis for consolidation purposes | 50,702 | 404,521 | | 455,223 |
| Total on the Government accounting basis | 1,541,606 | 3,829,142 | 188,558 | 5,559,306 |

Notes to Table 4.1 are an integral part of this table.

- (1) Expenses—Government and Crown corporations includes amortization of deferred capital funding of \$161 million for the Canadian Broadcasting Corporation and of \$50 million for Via Rail Canada Inc.

| Expenses | | | Net income (loss) | Equity beginning of year | Adjustments | Equity transactions with Government | | Equity end of year |
|------------------|---|-----------|----------------------|--------------------------------|-------------|--|-----------|--------------------------|
| Third parties | Government and Crown corporations ⁽¹⁾ | Total | | | | Dividends | Capital | |
| 709,476 | 32,540 | 742,016 | 5,294 | 436,907 | (261) | | (22,493) | 419,447 |
| 133,741 | | 133,741 | 7,647 | 179,156 | | | 531 | 187,334 |
| 23,819 | | 23,819 | (15,324) | 1,269 | | | 14,197 | 142 |
| 1,754,044 | 111,425 | 1,865,469 | | | | | | |
| 1,410,251 | (137,015) | 1,273,236 | (14,165) | (65,434) | | | 4,000 | (75,599) |
| 1,533 | | 1,533 | 735 | 25,893 | | | | 26,628 |
| 122,553 | | 122,553 | | | | | | |
| 171,665 | 1,436 | 173,101 | (148,417) | 38,701 | (2,232) | | 143,171 | 31,223 |
| 48,465 | 6,901 | 55,366 | 2,834 | 20,554 | (13,712) | | | 9,676 |
| 21,262 | 1,963 | 23,225 | (303) | 4,069 | (4,539) | | | (773) |
| | 17,075 | 17,075 | 245 | 2,021 | | | | 2,266 |
| 9,522 | 258 | 9,780 | (8,972) | 4,350 | (1) | | 8,400 | 3,777 |
| 5,134 | | 5,134 | (1,286) | (44,990) | | | | (46,276) |
| 129,834 | | 129,834 | (4,784) | 13,779 | (4,554) | | | 4,441 |
| 24,282 | 172 | 24,454 | (1,294) | 11,418 | (230) | | 4,438 | 14,332 |
| 77,020 | | 77,020 | (5,343) | (17,262) | | | | (22,605) |
| 45,783 | 1,054 | 46,837 | (801) | 9,935 | (7,664) | | | 1,470 |
| 86,341 | 4,223 | 90,564 | 25,738 | 360,714 | | | 248 | 386,700 |
| 38,997 | 8,637 | 47,634 | (5,386) | 17,120 | | | (7,768) | 3,966 |
| 20,871 | 3,004 | 23,875 | (72) | 7,886 | (879) | | 1,622 | 8,557 |
| 8,971 | 90 | 9,061 | (43) | 2,386 | (723) | | | 1,620 |
| 457,986 | (48,951) | 409,035 | (36,582) | 557,363 | (1,415) | | (18,496) | 500,870 |
| 5,301,550 | 2,812 | 5,304,362 | (200,279) | 1,565,835 | (36,210) | | 127,850 | 1,457,196 |
| 152,594 | 116,534 | 269,128 | 186,095 | (1,809,501) | 36,210 | | (127,850) | (1,715,046) |
| 5,454,144 | 119,346 | 5,573,490 | (14,184) | (243,666) | | | | (257,850) |

Contingent Liabilities of Consolidated Crown Corporations

Table 4.3 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 4.3

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS (in thousands of dollars)

| | March 31, 1999 |
|---|----------------|
| <u>Agent Crown corporations</u> | |
| Canada Mortgage and Housing Corporation | |
| Minister's Account—Miscellaneous litigation | 1,000 |
| Defence Construction (1951) Limited—Contract disputes | 9,909 |
| Canadian Film Development Corporation—Loan guarantees | 2,661 |
| International Development Research Centre | 800 |
| National Capital Commission—Miscellaneous litigation and agreements | 47,200 |
| | 61,570 |
| <u>Non-agent Crown corporation</u> | |
| Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigation | 30,000 |
| Total | 91,570 |

Notes to Table 4.1 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.4 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 4.4

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | Financial assistance under budgetary appropriations ⁽¹⁾ | Purpose | |
|---|---|------------|-------------------------|
| | | Operations | Capital expenditures |
| <u>Agent Crown corporations</u> | | | |
| Atomic Energy of Canada Limited | 126,000 | 126,000 | |
| Canada Lands Company Limited | | | |
| Old Port of Montreal Corporation Inc. | 14,197 | 14,197 | |
| Canada Mortgage and Housing Corporation ⁽²⁾ | 1,865,470 | 1,865,470 | |
| Canadian Broadcasting Corporation | 916,960 | 775,006 | 141,954 |
| Canadian Dairy Commission | 122,118 | 122,118 | |
| Canadian Film Development Corporation | 78,460 | 78,460 | |
| Canadian Museum of Civilization | 45,878 | 45,878 | |
| Canadian Museum of Nature | 20,848 | 20,848 | |
| Enterprise Cape Breton Corporation | 8,400 | 8,400 | |
| National Capital Commission | 91,623 | 58,614 | 33,009 |
| National Gallery of Canada | 34,113 | 31,113 | 3,000 |
| National Museum of Science and Technology | 19,628 | 19,628 | |
| | 3,343,695 | 3,165,732 | 177,963 |
| <u>Non-agent Crown corporations</u> | | | |
| Canada Council | 116,168 | 116,168 | |
| International Development Research Centre | 86,488 | 86,488 | |
| Jacques Cartier and Champlain Bridges Incorporated, The | 23,711 | 23,711 | |
| Marine Atlantic Inc. | 29,088 | 29,088 | |
| National Arts Centre Corporation | 21,001 | 21,001 | |
| Standards Council of Canada | 5,004 | 5,004 | |
| Queens Quay West Land Corporation | 3,500 | 3,500 | |
| VIA Rail Canada Inc. | 200,490 | 200,490 | |
| | 485,450 | 485,450 | |
| Total | 3,829,145 | 3,651,182 | 177,963 |

(1) Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.

(2) Includes budgetary appropriations for Government programs known as the "Minister's account".

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenditures which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related payments and expenditures be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenditures.

The transactions of these accounts are reported with revenues and expenditures, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.5 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.5. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

| | April 1/1998 | Receipts and other credits | | Payments and other charges | | March 31/1999 |
|--|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| | | External transactions | Internal transactions | External transactions | Internal transactions | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Major Accounts— | | | | | | |
| Agriculture and Agri-Food— | | | | | | |
| Western Grain Stabilization | | | | | | |
| Account | 26,948,973 | | | (31,905) | | 26,980,878 |
| Less: interest-bearing loans | 1,112,000,000 | | | | | 1,112,000,000 |
| | (1,085,051,027) | | | (31,905) | | (1,085,019,122) |
| Human Resources Development— | | | | | | |
| Employment Insurance Account, | | | | | | |
| Table 4.6 | 12,868,011,854 | 19,362,775,301 | 1,157,581,543 | 11,951,546,249 | 1,360,445,311 | 20,076,377,138 |
| Total major accounts | 11,782,960,827 | 19,362,775,301 | 1,157,581,543 | 11,951,514,344 | 1,360,445,311 | 18,991,358,016 |
| Insurance Accounts— | | | | | | |
| Finance— | | | | | | |
| Investors' Indemnity | | | | | | |
| Account | 45,303 | | | | | 45,303 |
| Health— | | | | | | |
| Health Insurance Supple- | | | | | | |
| mentary Account | 28,387 | | | | | 28,387 |
| Natural Resources— | | | | | | |
| Atomic Energy Control | | | | | | |
| Board— | | | | | | |
| Nuclear Liability | | | | | | |
| Reinsurance Account | 547,321 | 1,500 | | | | 548,821 |
| Transport— | | | | | | |
| Ship-Source | | | | | | |
| Oil Pollution | | | | | | |
| Fund | 268,931,271 | | 13,588,035 | 2,053,252 | | 280,466,054 |
| Total insurance accounts | 269,552,282 | 1,500 | 13,588,035 | 2,053,252 | | 281,088,565 |
| Other Specified Purpose Accounts— | | | | | | |
| Agriculture and Agri-Food— | | | | | | |
| Crops Sector Companion | | | | | | |
| Program | 111,511,975 | | | | 111,511,975 | |
| Crop Reinsurance Fund | 278,970,481 | 24,486,010 | | (765,168) | 165,000,000 | 139,221,659 |
| Less: interest-bearing loans | 278,156,751 | | | | 165,000,000 | 113,156,751 |
| | 813,730 | 24,486,010 | | (765,168) | | 26,064,908 |

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Continued*

| | April 1/1998 | Receipts and other credits | | Payments and other charges | | March 31/1999 |
|---|--------------|----------------------------|-----------------------|----------------------------|-----------------------|---------------|
| | | External transactions | Internal transactions | External transactions | Internal transactions | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Agricultural Commodities Stabilization Accounts | 7,656,762 | | | 427,885 | (453,803) | 7,682,680 |
| | 119,982,467 | 24,486,010 | | (337,283) | 111,058,172 | 33,747,588 |
| Canadian Heritage— | | | | | | |
| Alexander Graham Bell National Historic Site | 5,933 | | | | | 5,933 |
| Claudia de Hueck Bequest Account | 381,966 | | 16,599 | 15,000 | | 383,565 |
| Marconi Celebration Trust Fund | 3,280 | | | 3,274 | | 6 |
| National Archives of Canada— | | | | | | |
| Donations | 194,088 | 79,027 | | 78,208 | | 194,907 |
| National Battlefields Commission— | | | | | | |
| Trust Fund Account | 779,110 | 50,756 | 23,591 | 472,691 | | 380,766 |
| National Library— | | | | | | |
| Special Operating Account | 79,002 | 175,496 | | 161,627 | | 92,871 |
| | 1,443,379 | 305,279 | 40,190 | 730,800 | | 1,058,048 |
| Citizenship and Immigration— | | | | | | |
| 50th Anniversary of the Canadian Citizenship Act Celebrations | 81,011 | | | | | 81,011 |
| Environment— | | | | | | |
| Endangered Species—Donations | 218 | 103,539 | | | | 103,757 |
| Fish Habitat Restoration Account | 114,434 | 155,000 | | 121,963 | | 147,471 |
| | 114,652 | 258,539 | | 121,963 | | 251,228 |
| Finance— | | | | | | |
| Canadian Commercial Bank and Northland Bank Holdback Account | 246,223,464 | | | | | 246,223,464 |
| Fisheries and Oceans— | | | | | | |
| Supplementary Fines Fish Account | 171,810 | 262,800 | | 109,672 | | 324,938 |
| Foreign Affairs and International Trade— | | | | | | |
| Canadian Landmine Action Fund | | 13,578 | | | | 13,578 |
| Governor General— | | | | | | |
| Rideau Hall—Donations | 28,299 | (247) | | 25,213 | | 2,839 |
| Health— | | | | | | |
| Medical Research Council— | | | | | | |
| Donations for Research | 1,642,728 | 1,855,521 | 75,666 | 2,231,686 | | 1,342,229 |
| Human Resources Development— | | | | | | |
| Canadian Centre for Occupational Health and Safety—Donations | 81,021 | | | | | 81,021 |
| Indian Affairs and Northern Development— | | | | | | |
| Environmental Studies Research Fund | 153,099 | 22,424 | | 30,000 | | 145,523 |
| Industry— | | | | | | |
| Prime Minister Awards | 147,575 | 202,444 | | 179,073 | | 170,946 |
| H. L. Holmes Fund | 76,215 | 100,209 | | 100,000 | | 76,424 |
| | 223,790 | 302,653 | | 279,073 | | 247,370 |
| National Defence— | | | | | | |
| Corporate sponsorships and donations | | | | 40,300 | | (40,300) |
| Natural Resources— | | | | | | |
| Environmental Studies Research Fund | 184,133 | | | 10,356 | | 173,777 |

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

| | April 1/1998 | Receipts and other credits | | Payments and other charges | | March 31/1999 |
|---|----------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------|
| | | External transactions | Internal transactions | External transactions | Internal transactions | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Privy Council— | | | | | | |
| Canadian Transportation Accident Investigation and Safety Board— | | | | | | |
| Flight Recorder Software Systems Account | 189,092 | 134,173 | | 166,952 | | 156,313 |
| National Round Table on the Environment and Economy—Donations ... | 246,199 | 290,992 | | 516,128 | | 21,063 |
| | 435,291 | 425,165 | | 683,080 | | 177,376 |
| Public Works and Government Services— | | | | | | |
| Seized Property Proceeds Account | 15,779,897 | 21,567,809 | | 18,283,637 | | 19,064,069 |
| Transport— | | | | | | |
| Fines for the Transportation of Dangerous Goods | 54,293 | 29,500 | | | | 83,793 |
| Total other specified purpose accounts | 386,599,334 | 49,529,031 | 115,856 | 22,208,497 | 111,058,172 | 302,977,552 |
| Total | 12,439,112,443 | 19,412,305,832 | 1,171,285,434 | 11,975,776,093 | 1,471,503,483 | 19,575,424,133 |

Western Grain Stabilization Account

The purpose of the *Western Grain Stabilization Act* was to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, domestic mustard seed, canola, flax seed, triticale, mixed grain, sunflower seed, buckwheat, peas, lentils, favabeans and canary seed as well as any other prescribed seed that was produced in the designated area and was a grain for which a grade has been established and designated as "Canada Western" by regulation under the *Canada Grain Act*.

This account recorded funds which were received from:

- (a) levies paid by participating producers—levy rate ranging from 1 percent to 4 percent were applied to a participant's grain sales proceeds not exceeding \$60,000 per year;
- (b) Government contributions were equal to levies paid by producers plus an additional 2 percent of the participant's eligible grain sales proceeds of all participants on which the levy was paid by participants;
- (c) interest on the amount that was standing to the credit of the Account at rates and in accordance with the terms and conditions which were determined by the Minister of Finance; and,

- (d) advances from the Consolidated Revenue Fund, pursuant to section 45 of the *Western Grain Stabilization Act* when the balance in the Account was not sufficient for the payment of the stabilization payments and other amounts required to be charged to the Account pursuant to section 44 of the *Western Grain Stabilization Act*.

Treatment of the Account's deficit upon termination of the Western Grain Stabilization Account is subject to the provision of subsection 24(3) of the *Farm Income Protection Act*: "The Governor in Council may, by order, fix the day on which the Western Grain Stabilization Account continued pursuant to subsection (1) shall be closed." The *Western Grain Stabilization Act* has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Payments and other charges to outside parties of -\$32 thousand (-\$0.3 million in 1998) are reported and presented in the Statement of Revenues, Expenditures and Accumulated Deficit. This amount represents recoveries of overpayments to producers when the program was active.

Employment Insurance Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees and employers, with few exceptions.

The Act authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, penalties and interest; (b) refunds of overpayments of benefits and support measures under Part II of the Act; (c) repayments of overpayments made by the Commission under the Labor Market Development Agreements; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purpose related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The Act also provides that the following be charged to the Account: (a) benefits, support measures and financial assistance provided under Part II of the Act; (b) contributions to provinces under the Labour Market Development Agreements; (c) costs of administering the Act including administration costs transferred to provinces; and, (d) interest on advances made by the Minister of Finance.

Employee premium rates for each \$100 of insurable earnings were \$2.70 from April 1, 1998 to December 31, 1998 and \$2.55 from January 1, 1999 to March 31, 1999. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.

Receipts and other credits from outside parties of \$19,363 million (\$18,802 million in 1998) are reported as revenues, while payments and other charges to outside parties of \$11,952 million (\$11,872 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1,157 million (\$766 million in 1998), and payments and other charges of \$1,360 million (\$1,322 million in 1998), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Table 4.6 presents a statement of the transactions in the Employment Insurance Account. Notwithstanding the accounting policies of the Government, the data in Table 4.6, except for administration costs, are presented on a cash basis. This method is used to permit a direct reconciliation of data with the accounts of Canada and the data in Table 4.5. For the purpose of presentation in the financial statements of the Government of Canada, adjusting entries have been brought to these accounts in order to conform to the stated accounting policies.

The Employment insurance benefits as reported in Table 4.6 (\$11,952 million) differ from the benefits (\$11,884 million) reported in the Statement of Revenues, Expenditures and Accumulated Deficit (Section 1 of this volume). The difference is attributed to further adjustments due to the provision for valuation (\$3 million) and the employment insurance benefits recovery of -\$71 million through the Income Tax System.

TABLE 4.6

TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

| | 1998-99 | 1997-98 |
|--|---------------|---------------|
| RECEIPTS AND OTHER CREDITS— | | |
| Premiums— | | |
| Employers and employees | 19,704 | 19,151 |
| Penalties | 52 | 53 |
| Interest earned | 764 | 364 |
| | 20,520 | 19,568 |
| PAYMENTS AND OTHER CHARGES— | | |
| Benefits | 11,495 | 11,822 |
| Transfers to the provinces - | | |
| Part II | 457 | 50 |
| Administration costs | 1,246 | 1,301 |
| Administration cost transferred to provinces | 114 | 20 |
| | 13,312 | 13,193 |
| Net change | 7,208 | 6,375 |
| Repayments | | |
| Balance at beginning of year | 12,868 | 6,493 |
| Balance at end of year | 20,076 | 12,868 |

Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$1.5 thousand (\$3 thousand in 1998) are reported as revenues, while payments and other charges to outside parties of \$2 million (\$6 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$14 million (\$14 million in 1998), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the Act. This sum was increased to \$50,000 by Treasury Board Submission Number 817667 dated December 12, 1991.

Section 58 of the Act states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

Nuclear Liability Reinsurance Account

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

Ship-Source Oil Pollution Fund

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

Other Specified Purpose Accounts

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$50 million (\$82 million in 1998) are reported as revenues, while payments and other charges to outside parties of \$22 million (-\$134 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$116 thousand (-\$4 million in 1998), and payments and other charges of \$111 million («nil» in 1998) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Crops Sector Companion Program

The Crops Sector Companion Program was designed to provide additional assistance to Net Income Stabilization Account (NISA) participants in Saskatchewan, who produce eligible commodities, in the event of reduced farm cash receipts in the 1995 and 1996 calendar years. Payments were to be made to producers if crop sector revenue fell below a guaranteed revenue target for each of the two years.

Under the Program, the Federal Government and Saskatchewan provided annual premium contributions of \$54.5 million and \$30.5 million, respectively for each of the two years.

In the event that triggered program payouts exceed the program funds available, the federal Government would make an additional contribution not exceeding \$50 million for the two-year period. Saskatchewan contributed an additional \$45 million, from its share of the Gross Revenue Insurance Program (GRIP) surplus.

Although the federal liability under the Program was capped at a maximum of \$159 million, the actual federal contributions were subject to payments being triggered. Any unused premium contributions at the conclusion of the Program were to be refunded to the federal Government and to Saskatchewan in proportion to their respective contributions.

This account recorded the federal Government's share of the Program. The Saskatchewan share is reported in Table 6.26 (Section 6 of this volume).

No payments were triggered to producers for either the 1995 or 1996 calendar years based upon the calculation formula using annual farm cash receipts from Saskatchewan. An amendment to the agreement specified how the monies paid into the account, plus interest earned and the \$50 million additional federal contribution would be paid out. The federal monies have been transferred to the Crop Reinsurance Fund of Canada for Saskatchewan and the provincial monies have been paid to Saskatchewan to reduce the deficit in the Crop Reinsurance Fund of Saskatchewan and to provide \$5 million as start-up funding for a New Crops Companion Program in 1997. These monies have been paid out and the account is now closed.

Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to subsection 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance advances additional funds to cover these obligations. These advances are recovered without interest from future revenues from the provinces.

Receipts and other credits from outside parties of \$24 million (\$59 million in 1998) are reported as revenues, while payments and other charges show a credit of \$0.8 million due to recovery of previous payments and writedown of New Brunswick deficit (-\$164 million in 1998), are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Agricultural Commodities Stabilization Accounts

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

The Sugar Beet Program and accounts remain active. The remaining accounts are active solely for the collection of accounts receivable as the programs have already terminated. These accounts are as follows:

- (a) hogs;
- (b) feeder cattle;
- (c) slaughter cattle;
- (d) feeder calves;
- (e) home-raised lambs;
- (f) ewe flock;
- (g) white pea beans;
- (h) kidney/cranberry beans;
- (i) other coloured beans;
- (j) honey;
- (k) onions; and,
- (l) apples.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Receipts and other credits from outside parties of «nil» (-\$36 thousand in 1998) are reported as revenues, while payments and other charges to outside parties of \$0.4 million (\$8 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of «nil» (-\$3.6 million in 1998), and payments and other charges of \$0.5 million («nil» in 1998), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Alexander Graham Bell National Historic Site

This account was established to accept donations from various companies of the Canadian telecommunications industry for the redevelopment of the Alexander Graham Bell National Historic Site. These donations will be used for the construction of facilities for disabled visitors in addition to improving the reception, orientation and special events services.

Claudia de Hueck Bequest Account

This account was established pursuant to section 15 of the *Science Council of Canada Act*, to record a bequest made by Mrs. Claudia de Hueck to be used to promote the study of humanities and for general educational purposes.

Marconi Celebration Trust Fund

This account was established for the purpose of raising monies through public subscriptions and others to construct, operate and maintain a National Historic Site in Glace Bay, Nova Scotia to commemorate the efforts and accomplishments of Guglielmo Marconi in the field of wireless communications.

National Archives of Canada—Donations

This account was established pursuant to section 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts required for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

National Battlefields Commission—Trust Fund Account

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The monies are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its incorporation Act. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

National Library—Special Operating Account

This account was established pursuant to section 14 of the *National Library Act*, which also directed that (a) the account be credited with all monies received for the purpose of the National Library by way of donation, bequest or otherwise and (b) any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

50th Anniversary of the Canadian Citizenship Act Celebrations

This account was established to record deposits of donations received from the private sector to support celebrations of the 50th anniversary of the *Canadian Citizenship Act*. The funds received will be used to produce educational and promotional material.

Endangered Species—Donations

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to Endangered Species.

Fish Habitat Restoration Account

This account was established pursuant to subsection 79(2) of the *Fisheries Act*, for a specified purpose; this purpose being:

Québec: Together with the "Fondation de la faune du Québec" and the Department of Leisure, Fish and Game of Quebec, the restoration of wildlife habitats, notably wetlands, water levels control, acquisition of shorelands, restoration of spawning grounds damaged by encroachment on the St. Lawrence River and release of trout and other fish species in these spawning grounds being restored;

Northwest Territories: To promote the conservation of fish or fish habitat in the waters of/or adjacent to the Northwest Territories. It may include the design, construction or operation of an aquarium at Iqaluit or the funding or conduct of programs approved by the Department of Environment Canada related to sewage waste treatment and disposal in relation to the Northwest Territories; and,

Manitoba: To promote the conservation of fish or fish habitat in or adjacent to the Winnipeg River System.

Canadian Commercial Bank and Northland Bank Holdback Account

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During the fiscal year 1998-99, no claims have been received for potential payments from the holdback.

Supplementary Fines Fish Account

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under paragraph 79(2) (f) of the Act.

Canadian Landmine Action Fund

This account was established to record monies received from the public to support Canadian Mine Action Programs pursuant to the Ottawa Convention agreement which bans the production, use, stockpiling and export of anti-personnel mines.

Rideau Hall Donations

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

Medical Research Council — Donations for Research

This account was established under subsection 5(3) of the *Medical Research Council Act* to record donations and contributions received from organizations and individuals for biomedical research.

Canadian Centre for Occupational Health and Safety—Donations

This account was established pursuant to subsection 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record monies, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

Indian Affairs and Northern Development—Environmental Studies Research Fund

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

Prime Ministers Awards

This account was established to record amounts deposited by external parties to be used in support of the Prime Minister's Awards for teaching excellence.

H.L. Holmes Fund

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to Post-Doctoral students to study at world famous Graduate School or Research Institutes under outstanding research persons.

Corporate Sponsorships and Donations

This account was established by National Defence to administer funds received from various private companies, not for profit corporations, associations, other levels of government, or individuals for the purpose of holding events consistent with the Department's mandate but not funded from its appropriations. The funds received will be used to defray the events' associated expenditures in accordance with Treasury Board policy.

Natural Resources—Environmental Studies Research Fund

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

Flight Recorder Software System Account

This account was established to record cash contributions and expenditures related to a cost sharing agreement with other government safety organizations who have acquired a software system which was developed by the Canadian Transportation Accident Investigation and Safety Board for use in aircraft accident investigations for the purpose of advancing aviation safety.

National Round Table on the Environment and Economy—Donations

This account was established to record payments, grants and donations received from third parties, and expenses associated with National Round Table on the Environment and Economy programs and activities.

Seized Property Proceeds Account

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the Act. The Act also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

Fines for the Transportation of Dangerous Goods

This account was established pursuant to the *Transportation of Dangerous Goods Act* 1992 and related regulations to record fines levied by courts.

SUPPLEMENTARY STATEMENT

Employment Insurance Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The following financial statements have been prepared by Management of the Canada Employment Insurance Commission in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and the estimates of importance in these financial statements are Management's responsibility.

In support of its responsibility, Management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and Regulations, as well as the *Financial Administration Act* and Regulations.

The Employment Insurance Account's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister of Human Resources Development.

SERGE RAINVILLE

*Assistant Deputy Minister
Financial and Administrative Services*

CLAIRE M. MORRIS

Chairperson

July 23, 1999

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 1999 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the management of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 1999 and the results of its operations and its cash flows for the year ended in accordance with the accounting policies set out in Note 2 to the financial statements.

I wish to draw to your attention that the surplus of the Employment Insurance Account has increased during the current year by \$7.3 billion, to \$21 billion. Under the *Employment Insurance Act*, and as described in Note 5 to the financial statements, premium rates should be established at a level sufficient to ensure that there will be enough revenue over a business cycle to pay the amounts authorized, while maintaining relatively stable rates throughout the cycle. The Act does not define the level of surplus or reserve deemed sufficient to meet the objective. However, according to a report by the Chief Actuary of the Department of Human Resources Development on employment insurance premium rates for 1999, a reserve of between \$10 and \$15 billion, attained just before an economic downturn, should allow meeting all additional costs during the period of decline. In my opinion, in view of the current level of the surplus, clarification and disclosure of the factors to be used in determining an appropriate level of reserve are necessary.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 23, 1999

Employment Insurance Account—Continued**BALANCE SHEET AS AT MARCH 31, 1999**

(in thousands of dollars)

| ASSETS | 1999 | 1998 | LIABILITIES AND SURPLUS | 1999 | 1998 |
|--------------------------------------|------------|------------|--------------------------------|------------|------------|
| Balance of the account with Receiver | | | Unredeemed warrants | 240,804 | 246,385 |
| General for Canada | 20,763,865 | 13,493,287 | Amounts payable (Note 4) | 469,515 | 420,347 |
| Premiums receivable | 849,000 | 825,000 | Accrued benefits | 378,454 | 376,063 |
| Due from claimants | | | | 1,088,773 | 1,042,795 |
| (Note 3) | 452,577 | 369,436 | | | |
| Amount due from provinces | | | Surplus | 20,977,116 | 13,644,928 |
| related to Labour Market | | | | | |
| Development Agreements | 447 | | | | |
| | 22,065,889 | 14,687,723 | | 22,065,889 | 14,687,723 |

The accompanying notes and schedule are an integral part of these financial statements.

Approved by the Commission:

SERGE RAINVILLE*Assistant Deputy Minister**Financial and Administrative Services***CLAIRE M. MORRIS***Chairperson***STATEMENT OF OPERATIONS AND SURPLUS****FOR THE YEAR ENDED MARCH 31, 1999**

(in thousands of dollars)

| | 1999 | 1998 |
|--|------------|------------|
| Revenue | | |
| Premiums (Note 5) | 19,728,061 | 19,121,666 |
| Interest on the balance of the | | |
| account with Receiver General | | |
| for Canada (Note 6) | 764,161 | 363,828 |
| Penalties | 79,270 | 67,084 |
| | 20,571,492 | 19,552,578 |
| Expenses | | |
| Benefits and support | | |
| measures (Note 7 | | |
| and Schedule) | 11,834,038 | 11,798,307 |
| Administration costs (Note 8) | 1,360,193 | 1,320,864 |
| Provision for doubtful debts | 45,073 | 89,356 |
| | 13,239,304 | 13,208,527 |
| Surplus for the period | 7,332,188 | 6,344,051 |
| Surplus at beginning | | |
| of the period | 13,644,928 | 7,300,877 |
| Surplus at the end of the period | 20,977,116 | 13,644,928 |

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS**MARCH 31, 1999****1. Authority, objective and responsibilities**

The Canada Employment Insurance Commission, a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Account.

The Employment Insurance Account was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments to be received from higher income claimants.

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999—Continued

The *Employment Insurance Act*, which came into effect in July 1996, authorizes the Government of Canada to enter into labour market development agreements with each province and territory on the design and delivery of the active employment benefits and support measures contained in the Act. With the exception of Ontario, agreements with all provinces and territories have been entered into and implemented.

Responsibility sharing varies from one agreement to the other. In some cases, the provinces have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government.

2. Accounting policies

All financial transactions affecting the Employment Insurance Account are governed by the Act and/or the Regulations.

a) Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting.

b) Premiums

Premiums are based on an estimate of the amount to be collected that relates to the period and include adjustments between actual and estimated premiums of previous years.

c) Benefits and support measures

Benefits represent the amounts to be paid to claimants for the period relating to the financial reporting period, less benefit overpayments established by the Commission during the period and estimated benefit repayments to be received from higher income claimants. Benefits include the amounts transferred to the provinces and territories for the design and delivery of the employment benefits and support measures.

d) Administration costs

These costs include the costs of administration of the Act based on an estimate of costs incurred by the Commission during the period for administering the Employment Insurance Account and administration costs incurred by provinces to administer labour market development agreements.

e) Financial instruments

The carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the period.

3. Due from claimants

| | 1999 | 1998 |
|--|---------------------------|---------|
| | (in thousands of dollars) | |
| Balance of benefit overpayments and penalties | 594,586 | 586,455 |
| Less: allowance for doubtful debts | 298,791 | 305,339 |
| | 295,795 | 281,116 |
| Estimated benefit repayments to be received from higher income claimants | 156,782 | 88,320 |
| | 452,577 | 369,436 |

Uncollectable benefit overpayments and penalties written off during the period amounted to \$52 million (\$46 million in 1997-98).

Continuous efforts have been made by the Commission in detecting overpayments on claims processed during the current and preceding periods and, where necessary, imposing penalties. During the period, overpayments and penalties totalling \$404 million (\$373 million in 1997-98) were established. During 1998-99, \$344 million have been recovered (\$332 million in 1997-98).

4. Amounts payable

| | 1999 | 1998 |
|--|---------------------------|---------|
| | (in thousands of dollars) | |
| To Canada | | |
| Employment benefits and support measures | 293,271 | 315,495 |
| Amount paid to provinces related to Labour Market Development Agreements ... | 111,746 | 14,031 |
| Tax deductions from warrants ... | 42,657 | 41,832 |
| Administration costs | 10,074 | 36,739 |
| Recoupments from warrants | 2,859 | 2,813 |
| | 460,607 | 410,910 |
| To provinces | | |
| Quebec tax deductions from warrants | 5,898 | 5,828 |
| Recoupments from warrants | 3,010 | 3,609 |
| | 8,908 | 9,437 |
| | 469,515 | 420,347 |

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999—Continued

5. Premiums

Premiums are based on an estimate of insurable earnings for each calendar year. Calculation of insurable earnings is based on a formula using many factors such as the previous calendar year's total insurable earnings, the growth in the number of paid workers and in the average weekly earnings. Although the Commission uses the most recent data and statistics in the calculation, a variation in the estimated insurable earnings may occur. For example, in the calendar year 1998, a variation of one percentage point in insurable earnings would result in a change of \$201 million in premiums.

Actual amounts for insurable earnings and premiums for calendar years 1998 and 1999 will be known only when Revenue Canada has processed all employer declarations of premiums for these years. An adjustment for the variation between actual and estimated premiums will then be recorded in the accounts. The adjustment recorded in the period for the previous years amounted to \$342 million (\$123 million in 1997-98).

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For the calendar year 1998, the total amount of reductions is estimated at \$500 million. Actual reductions for the calendar year 1997 were \$521 million.

The Employment Insurance Commission sets the premium rate each year, with the approval of the Governor in Council and on the recommendation of the Minister of Human Resources Development and the Minister of Finance. The rate shall ensure that there will be enough revenue over a business cycle to pay the amounts authorized to be charged to the Account, while maintaining relatively stable rate levels throughout the business cycle.

For the following calendar years, premium rates for each \$100 of insurable earnings were:

| | 1999 | 1998 | 1997 |
|---|--------------|------|------|
| | (in dollars) | | |
| For employees | 2.55 | 2.70 | 2.90 |
| For employers (calculated at 1.4 times the employee rate) | 3.57 | 3.78 | 4.06 |

6. Interest on the balance of the account with Receiver General for Canada

Pursuant to Section 76 of the Act, the Minister of Finance may authorize the payment of interest on the balance in the Employment Insurance Account in accordance with such terms and conditions and at such rates as the Minister of Finance may establish. The interest shall be credited to the Account and charged to the Consolidated Revenue Fund.

The interest on the daily operating balance is calculated daily and is credited to the Account on the first day of the following month. The interest rate on the operating balance is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied from 4.18 percent to 4.72 percent during the period (2.61 percent to 4.15 percent in 1997-98).

7. Estimated overpayments and underpayments of benefits

The large number of claimants to be monitored and the need for prompt service require a selective rather than universal application of the internal control procedures. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefits payouts. For benefits paid during the 12 months ending March 31, 1999, these undetected overpayments and underpayments are estimated to be \$445 million and \$211 million respectively (\$604 million and \$174 million for the 12 months ending March 31, 1998). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

As indicated in Note 3, continuous efforts are made by the Commission to detect, establish and recover overpayments. There is not a direct link between these detection activities and the estimating techniques referred to above.

8. Administration costs

| | 1999 | 1998 |
|--|---------------------------|-----------|
| | (in thousands of dollars) | |
| Administration costs by activity | | |
| Employment Insurance | | |
| Income Benefits | 631,032 | 560,298 |
| Corporate services | 303,726 | 302,341 |
| Human Resources | | |
| Investment | 167,173 | 246,800 |
| Human Resource Centres of Canada Management and Joint Services | 150,332 | 195,808 |
| | 1,252,263 | 1,305,247 |
| Add: administration costs incurred by provinces ⁽¹⁾ | 114,221 | 20,156 |
| Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards | 6,291 | 4,539 |
| | 1,360,193 | 1,320,864 |

⁽¹⁾ These costs include \$33 million for start-up costs (\$12 million in 1997-98).

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999—Concluded

Administration costs—related party transactions

The administration costs include \$113 million (\$119 million in 1997-98) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$103 million (\$99 million in 1997-98) by Revenue Canada for collecting premiums from employers and employees and other related activities.

In addition to those related party transactions disclosed elsewhere in these financial statements, the Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of business.

9. Financial statement presentation

The Employment Insurance Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Employment Insurance Account are also presented in Volume 1 of the *Public Accounts of Canada*.

It is management's opinion that a cash flow statement for the Account is not necessary since information concerning operational activities, and their effects on cash resources, are readily apparent in the Statement of Operations and Surplus. The Account is not involved in any financing or investment activities.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Account's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Account, including those related to the efforts of federal government departments providing services to the Account, or other third parties, will be fully resolved.

Employment Insurance Account—Concluded

SCHEDULE

BENEFITS AND SUPPORT MEASURES

FOR THE YEAR ENDED MARCH 31, 1999

(in thousands of dollars)

| | 1999 | 1998 |
|--|------------|------------|
| Part I—Income benefits | | |
| Regular | 8,194,882 | 8,399,465 |
| Fishing | 226,731 | 236,754 |
| Worksharing | 16,379 | 7,137 |
| | 8,437,992 | 8,643,356 |
| Special benefits | | |
| Maternity | 704,756 | 703,365 |
| Sickness | 474,232 | 443,131 |
| Parental | 449,188 | 448,890 |
| Adoption | 6,731 | 5,340 |
| | 1,634,907 | 1,600,726 |
| | 10,072,899 | 10,244,082 |
| Part II—Employment benefits and support measures | | |
| Employment benefits | | |
| Training/skills loans and grants | 630,207 | 770,111 |
| Job creation partnerships | 134,707 | 129,632 |
| Self-employment | 107,879 | 133,372 |
| Targeted wage subsidies | 61,818 | 79,242 |
| Targeted earnings supplements | | 3 |
| | 934,611 | 1,112,360 |
| Support measures | | |
| Labour market partnerships | 261,781 | 201,516 |
| Employment assistance services | 237,718 | 234,813 |
| Research and innovation | 11,391 | 7,129 |
| | 510,890 | 443,458 |
| Amounts transferred to provinces and territories | 456,940 | 50,376 |
| | 1,902,441 | 1,606,194 |
| Benefits and support measures | 11,975,340 | 11,850,276 |
| Less: benefit repayments by higher income claimants | 141,302 | 51,969 |
| | 11,834,038 | 11,798,307 |

Benefit Rates

Since July 1, 1996, benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. As of January 5, 1997, claimants that have collected more than 20 weeks of regular benefits in the past five years, since June 30, 1996, will see the benefit rate for their new claim reduced. The benefit rate can be increased to a maximum of 70 percent in 1998 and 75 percent in 1999 (65 percent in 1997) for claimants who are in a low income family with children.

SECTION 5

1998-99

PUBLIC ACCOUNTS OF CANADA

Accounts Payable, Accruals and Allowances

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Accounts payable and accrued liabilities..... | 5.4 |
| Interest and matured debt..... | 5.13 |
| Allowance for employee benefits | 5.13 |
| Allowance for loan guarantees and borrowings of Crown corporations | 5.14 |

ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Accounts Payable, Accruals and Allowances". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent accounts payable, accruals and allowances set up at year end under the authority granted to the President of the Treasury Board in the *Financial Administration Act*.

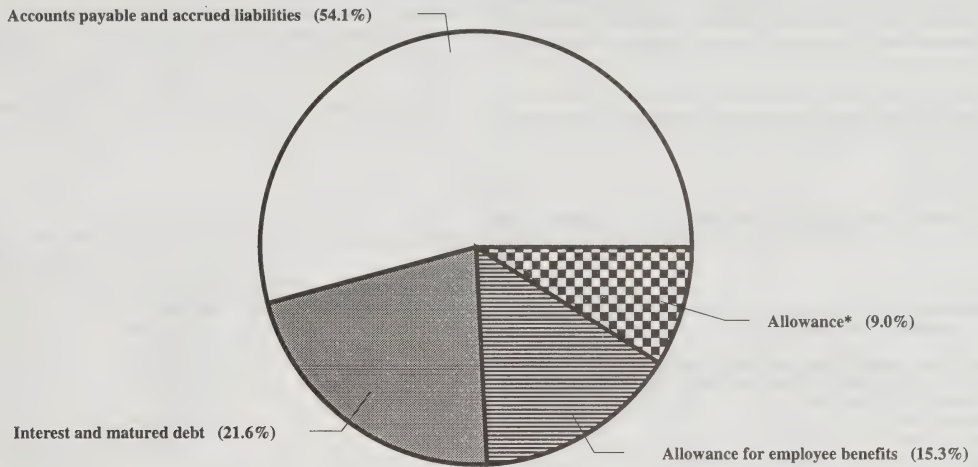
Table 5.1 presents the year-end balances of accounts payable, accruals and allowances by category. Chart 5A presents accounts payable, accruals and allowances by category at March 31, while Chart 5B compares accounts payable, accruals and allowances for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

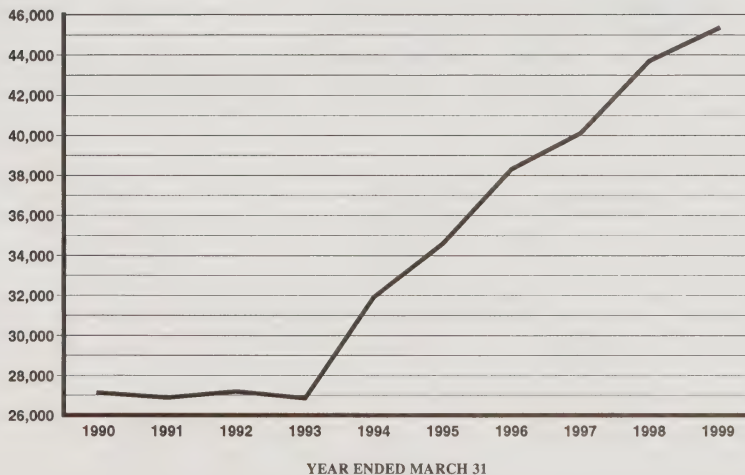
TABLE 5.1
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

| | April 1/1998 | March 31/1999 |
|---|----------------|----------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities, Table 5.2 | 22,364,376,137 | 24,508,603,759 |
| Interest and matured debt, Table 5.5 | 10,418,670,926 | 9,790,983,410 |
| Allowance for employee benefits | 6,520,000,000 | 6,720,000,000 |
| Add: consolidation adjustment ⁽¹⁾ | 209,000,000 | 206,330,000 |
| Allowance for loan guarantees and borrowings of Crown corporations, Table 5.6 | 6,729,000,000 | 6,926,330,000 |
| | 4,188,000,000 | 4,090,000,000 |
| Total | 43,700,047,063 | 45,315,917,169 |

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

CHART 5A**ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES BY CATEGORY AS AT MARCH 31, 1999**

* Allowance for loan guarantees and borrowings of Crown corporations

CHART 5B**ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES**
(in millions of dollars)

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous payroll deductions, deferred revenues, borrowings of consolidated Crown corporations, suspense accounts and other accounts.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable, accruals and allowances.

TABLE 5.2

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | April 1/1998 | March 31/1999 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Accounts payable | 18,089,084,553 | 18,495,071,431 |
| Add: consolidation adjustment ⁽¹⁾ | 895,919,000 | 936,252,000 |
| | <i>18,985,003,553</i> | <i>19,431,323,431</i> |
| Notes payable to international organizations, Table 5.3 | 1,811,620,352 | 1,654,386,985 |
| Provincial and territorial tax collection agreements account, Table 5.4 | 1,174,735,067 | 2,440,359,553 |
| Miscellaneous payroll deductions | 45,857,208 | 61,989,524 |
| Deferred revenues | 232,763,920 | 343,506,486 |
| Suspense accounts | 113,867,639 | 576,547,770 |
| Other | 528,398 | 490,010 |
| Total | 22,364,376,137 | 24,508,603,759 |

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Accounts payable

This account records amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, relating to appropriations on which Parliament has imposed annual ceilings, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations.

Notes payable to international organizations

Share capital subscriptions, and loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

TABLE 5.3
NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

| | April 1/1998 | Receipts and other credits | | Payments and other charges | | March 31/1999 |
|--|---------------|-------------------------------|----------------------------|-------------------------------|----------------------------|---------------|
| | | Note issuances | Revaluation ⁽¹⁾ | Note encashments | Revaluation ⁽¹⁾ | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Finance— | | | | | | |
| European Bank for Reconstruction and Development | | 10,704,894 | 231,442 | 2,140,979 | | 8,795,357 |
| International Development Association | 862,450,000 | 195,155,000 | | 267,000,000 | | 790,605,000 |
| Multilateral Investment Guarantee Agency | 4,554,903 | | 285,203 | | | 4,840,106 |
| Foreign Affairs and International Trade— | | | | | | |
| Canadian International Development Agency— | | | | | | |
| Asian Development Bank | 14,266,566 | 5,019,122 | 927,457 | | | 20,213,145 |
| Caribbean Development Bank | 5,050,973 | 2,108,316 | 185,801 | | | 7,345,090 |
| Inter-American Development Bank | 17,178,039 | 6,169,142 | 866,413 | 8,497,528 | | 15,716,066 |
| International financial institutions— | | | | | | |
| African Development Fund | 316,742,945 | 70,487,880 | | 96,031,874 | | 291,198,951 |
| Asian Development Fund | 422,951,076 | 43,064,726 | | 119,593,896 | | 346,421,906 |
| Caribbean Development Bank—Special | 32,633,819 | 8,130,000 | | | | 40,763,819 |
| Global Environment Facility Trust Fund | 91,355,000 | | | 10,650,000 | | 80,705,000 |
| Inter-American Development Bank—Fund for Special Operations | 13,773,735 | | | 1,108,947 | | 12,664,788 |
| International Fund for Agriculture Development | 30,663,296 | 9,095,581 | | 4,641,120 | | 35,117,757 |
| | 908,119,871 | 130,778,187 | | 232,025,837 | | 806,872,221 |
| Total | 1,811,620,352 | 349,934,661 | 2,496,316 | 509,664,344 | | 1,654,386,985 |

⁽¹⁾ Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

Provincial and territorial tax collection agreements account

This account records both income taxes collected by the Government of Canada on behalf of provinces and territories pursuant to the *Federal-Provincial Fiscal Arrangements Act* and harmonized sales tax and sales taxes pursuant to the *Excise Tax Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes. Furthermore, under the *Excise Tax Act*, the Government is also empowered to enter into agreements with provincial governments, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax.

The Government of Canada entered into agreements with provinces and territories (excluding Quebec), to collect individual income tax, and, with provinces and territories (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend), to collect corporation income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes. The Government also entered into agreements with the provinces of Nova Scotia, New Brunswick and Newfoundland, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax. Furthermore, the Government also entered into agreements with the First Nations, to collect sales taxes, and to make payments to them with respect to such agreements.

Because the *Public Accounts of Canada* reports information on a April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents detailed information of the transactions, accumulated balances and the net position of the revenues collected and the payments made to the provinces and territories on a tax year basis for corporation and personal income taxes as well as for harmonized sales tax and sales taxes.

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|---|----------------|-------------------------------|-------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Personal income taxes collected by National | | | | |
| Revenue for 1993 | 26,135,669,183 | 9,491,792 | | 26,145,160,975 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 499,740,450 | | | 499,740,450 |
| Prince Edward Island | 107,749,593 | | | 107,749,593 |
| Nova Scotia | 905,156,370 | | | 905,156,370 |
| New Brunswick | 688,556,296 | | | 688,556,296 |
| Ontario | 14,428,877,881 | | | 14,428,877,881 |
| Manitoba | 1,088,670,036 | | | 1,088,670,036 |
| Saskatchewan | 1,061,836,044 | | | 1,061,836,044 |
| Alberta | 2,891,617,488 | | | 2,891,617,488 |
| British Columbia | 4,383,100,452 | | | 4,383,100,452 |
| Yukon | 29,294,731 | | | 29,294,731 |
| Northwest Territories | 65,479,692 | | | 65,479,692 |
| Unidentified payments by province | | 4,918,058 | | (4,918,058) |
| | 26,150,079,033 | 4,918,058 | | 26,145,160,975 |
| Net collections (overpayments) of personal income taxes for 1993 | (14,409,850) | 14,409,850 | | |
| Personal income taxes collected by National | | | | |
| Revenue for 1994 | 27,192,694,641 | 9,638,588 | | 27,202,333,229 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 518,119,207 | | | 518,119,207 |
| Prince Edward Island | 111,999,370 | | | 111,999,370 |
| Nova Scotia | 907,544,001 | | | 907,544,001 |
| New Brunswick | 735,708,010 | | | 735,708,010 |
| Ontario | 14,938,222,817 | | | 14,938,222,817 |
| Manitoba | 1,148,404,078 | | | 1,148,404,078 |
| Saskatchewan | 1,128,473,132 | | | 1,128,473,132 |
| Alberta | 2,992,001,738 | | | 2,992,001,738 |
| British Columbia | 4,633,047,786 | | | 4,633,047,786 |
| Yukon | 29,747,070 | | | 29,747,070 |
| Northwest Territories | 54,147,962 | | | 54,147,962 |
| Unidentified payments by province | | | 4,918,058 | 4,918,058 |
| | 27,197,415,171 | | 4,918,058 | 27,202,333,229 |
| Net collections (overpayments) of personal income taxes for 1994 | (4,720,530) | 9,638,588 | 4,918,058 | |
| Personal income taxes collected by National | | | | |
| Revenue for 1995 | 29,224,024,975 | | 1,152 | 29,224,023,823 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 562,804,968 | | | 562,804,968 |
| Prince Edward Island | 120,209,760 | | | 120,209,760 |
| Nova Scotia | 935,338,399 | | | 935,338,399 |
| New Brunswick | 782,393,181 | | | 782,393,181 |
| Ontario | 16,041,791,470 | | | 16,041,791,470 |
| Manitoba | 1,236,043,536 | | | 1,236,043,536 |
| Saskatchewan | 1,187,061,340 | | | 1,187,061,340 |
| Alberta | 3,214,439,434 | | | 3,214,439,434 |
| British Columbia | 5,050,381,139 | | | 5,050,381,139 |
| Yukon | 33,969,098 | | | 33,969,098 |
| Northwest Territories | 59,593,564 | | | 59,593,564 |
| Unidentified payments by province | | 2,066 | | (2,066) |
| | 29,224,025,889 | 2,066 | | 29,224,023,823 |
| Net collections (overpayments) of personal income taxes for 1995 | (914) | 2,066 | 1,152 | |

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|---|----------------|-------------------------------|-------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Personal income taxes collected by National | | | | |
| Revenue for 1996 | 30,581,977,416 | 85,764 | | 30,582,063,180 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 553,480,813 | | | 553,480,813 |
| Prince Edward Island | 126,064,891 | | | 126,064,891 |
| Nova Scotia | 959,152,033 | | | 959,152,033 |
| New Brunswick | 801,095,321 | | | 801,095,321 |
| Ontario | 16,750,936,271 | | | 16,750,936,271 |
| Manitoba | 1,258,259,706 | | | 1,258,259,706 |
| Saskatchewan | 1,228,542,071 | | | 1,228,542,071 |
| Alberta | 3,493,567,394 | | | 3,493,567,394 |
| British Columbia | 5,277,174,326 | | | 5,277,174,326 |
| Yukon | 37,744,243 | | | 37,744,243 |
| Northwest Territories | 62,092,224 | | | 62,092,224 |
| Unidentified payments by province | | | 33,953,887 | 33,953,887 |
| | 30,548,109,293 | | 33,953,887 | 30,582,063,180 |
| Net collections (overpayments) of personal income taxes for 1996 | 33,868,123 | 85,764 | 33,953,887 | |
| Personal income taxes collected by National | | | | |
| Revenue for 1997 | 31,956,924,500 | 709,668,495 | 825,550,297 | 31,841,042,698 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 591,855,183 | 37,695,895 | | 554,159,288 |
| Prince Edward Island | 136,418,000 | 7,117,189 | | 129,300,811 |
| Nova Scotia | 999,839,000 | 6,407,885 | | 993,431,115 |
| New Brunswick | 850,909,384 | 31,118,299 | | 819,791,085 |
| Ontario | 16,397,575,634 | | 368,827,973 | 16,766,403,607 |
| Manitoba | 1,475,732,121 | | 62,416,490 | 1,538,148,611 |
| Saskatchewan | 1,313,776,000 | | 31,267,661 | 1,345,043,661 |
| Alberta | 3,729,005,567 | | 305,834,957 | 4,034,840,524 |
| British Columbia | 5,712,358,888 | 111,792,756 | | 5,600,566,132 |
| Yukon | 40,055,224 | 3,169,268 | | 36,885,956 |
| Northwest Territories | 77,012,141 | 16,540,870 | | 60,471,271 |
| Unidentified payments by province | | 37,441,964 | | (37,441,964) |
| | 31,324,537,142 | 251,284,126 | 768,347,081 | 31,841,600,097 |
| Net collections (overpayments) of personal income taxes for 1997 | 632,387,358 | 960,952,621 | 1,593,897,378 | (557,399) |
| Personal income taxes collected by National | | | | |
| Revenue for 1998 | 5,932,579,000 | 28,421,538,000 | 1,811,700 | 34,352,305,300 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 90,587,000 | | 478,873,000 | 569,460,000 |
| Prince Edward Island | 20,902,000 | | 111,458,000 | 132,360,000 |
| Nova Scotia | 151,235,000 | | 844,638,000 | 995,873,000 |
| New Brunswick | 127,248,713 | | 676,318,787 | 803,567,500 |
| Ontario | 3,094,137,000 | | 13,258,076,000 | 16,352,213,000 |
| Manitoba | 291,798,000 | | 1,355,022,000 | 1,646,820,000 |
| Saskatchewan | 199,493,000 | | 1,157,142,000 | 1,356,635,000 |
| Alberta | 573,192,411 | | 3,433,549,250 | 4,006,741,661 |
| British Columbia | 1,150,518,959 | | 4,498,935,630 | 5,649,454,589 |
| Yukon | 7,965,000 | | 28,603,000 | 36,568,000 |
| Northwest Territories | 15,444,000 | | 56,996,000 | 72,440,000 |
| | 5,722,521,083 | | 25,899,611,667 | 31,622,132,750 |
| Net collections (overpayments) of personal income taxes for 1998 | 210,057,917 | 28,421,538,000 | 25,901,423,367 | 2,730,172,550 |

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|--------------------|-------------------------------|-------------------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Personal income taxes collected by National | | | | |
| Revenue for 1999 | | 6,049,749,000 | 122,730,000 | 5,927,019,000 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | | | 111,366,000 | 111,366,000 |
| Prince Edward Island | | | 26,271,000 | 26,271,000 |
| Nova Scotia | | | 199,209,038 | 199,209,038 |
| New Brunswick | | | 158,787,381 | 158,787,381 |
| Ontario | | | 3,119,760,000 | 3,119,760,000 |
| Manitoba | | | 319,491,000 | 319,491,000 |
| Saskatchewan | | | 265,706,027 | 265,706,027 |
| Alberta | | 138,150 | 793,070,612 | 792,932,462 |
| British Columbia | | | 1,123,443,955 | 1,123,443,955 |
| Yukon | | | 7,556,575 | 7,556,575 |
| Northwest Territories | | | 14,837,574 | 14,837,574 |
| | | 138,150 | 6,139,499,162 | 6,139,361,012 |
| Net collections (overpayments) of personal income taxes for 1999 | | 6,049,887,150 | 6,262,229,162 | (212,342,012) |
| Total personal income taxes on hand | 857,182,104 | 35,456,514,039 | 33,796,423,004 | 2,517,273,139 |
| Corporation income taxes collected by National | | | | |
| Revenue for 1993 | 1,475,995,380 | 40,000 | | 1,476,035,380 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 43,417,966 | | | 43,417,966 |
| Prince Edward Island | 15,587,447 | | | 15,587,447 |
| Nova Scotia | 97,442,653 | | | 97,442,653 |
| New Brunswick | 139,012,155 | | | 139,012,155 |
| Quebec | 22,061,665 | | | 22,061,665 |
| Ontario | 68,222,516 | | | 68,222,516 |
| Manitoba | 126,397,504 | | | 126,397,504 |
| Saskatchewan | 115,137,124 | | | 115,137,124 |
| Alberta | 12,627,257 | | | 12,627,257 |
| British Columbia | 800,683,512 | | | 800,683,512 |
| Yukon | 10,016,862 | | | 10,016,862 |
| Northwest Territories | 25,428,719 | | | 25,428,719 |
| | 1,476,035,380 | | | 1,476,035,380 |
| Net collections (overpayments) of corporation income taxes for 1993 | (40,000) | 40,000 | | |
| Corporation income taxes collected by National | | | | |
| Revenue for 1994 | 1,769,187,042 | 39,947 | | 1,769,226,989 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 61,559,537 | | | 61,559,537 |
| Prince Edward Island | 15,822,936 | | | 15,822,936 |
| Nova Scotia | 82,223,546 | | | 82,223,546 |
| New Brunswick | 106,814,756 | | | 106,814,756 |
| Quebec | 24,723,743 | | | 24,723,743 |
| Ontario | 73,260,410 | | | 73,260,410 |
| Manitoba | 166,367,531 | | | 166,367,531 |
| Saskatchewan | 188,042,850 | | | 188,042,850 |
| Alberta | 13,709,965 | | | 13,709,965 |
| British Columbia | 1,002,857,279 | | | 1,002,857,279 |
| Yukon | 7,983,642 | | | 7,983,642 |
| Northwest Territories | 25,131,276 | | | 25,131,276 |
| Unidentified payments by province | | | 729,518 | 729,518 |
| | 1,768,497,471 | | 729,518 | 1,769,226,989 |
| Net collections (overpayments) of corporation income taxes for 1994 | 689,571 | 39,947 | 729,518 | |

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Corporation income taxes collected by National | | | | |
| Revenue for 1995 | 2,178,085,883 | | 1 | 2,178,085,882 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 62,522,673 | | | 62,522,673 |
| Prince Edward Island | 18,572,471 | | | 18,572,471 |
| Nova Scotia | 133,302,557 | | | 133,302,557 |
| New Brunswick | 210,304,631 | | | 210,304,631 |
| Quebec | 19,486,657 | | | 19,486,657 |
| Ontario | 60,192,996 | | | 60,192,996 |
| Manitoba | 201,472,046 | | | 201,472,046 |
| Saskatchewan | 228,492,496 | | | 228,492,496 |
| Alberta | 9,686,773 | | | 9,686,773 |
| British Columbia | 1,195,751,282 | | | 1,195,751,282 |
| Yukon | 10,754,456 | | | 10,754,456 |
| Northwest Territories | 28,498,436 | 15,974 | | 28,482,462 |
| Unidentified payments by province | | 935,618 | | (935,618) |
| | 2,179,037,474 | 951,592 | | 2,178,085,882 |
| Net collections (overpayments) of corporation income taxes for 1995 | (951,591) | 951,592 | 1 | |
| Corporation income taxes collected by National | | | | |
| Revenue for 1996 | 1,930,124,710 | 1,053 | | 1,930,125,763 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 64,516,544 | | | 64,516,544 |
| Prince Edward Island | 21,263,888 | | | 21,263,888 |
| Nova Scotia | 129,128,155 | | | 129,128,155 |
| New Brunswick | 123,554,890 | | | 123,554,890 |
| Quebec | 18,747,577 | | | 18,747,577 |
| Ontario | 50,150,131 | | | 50,150,131 |
| Manitoba | 203,757,449 | | | 203,757,449 |
| Saskatchewan | 208,534,233 | | | 208,534,233 |
| Alberta | 10,031,649 | | | 10,031,649 |
| British Columbia | 1,057,404,904 | | | 1,057,404,904 |
| Yukon | 13,005,695 | | | 13,005,695 |
| Northwest Territories | 30,030,749 | 15,974 | 15,974 | 30,030,749 |
| Unidentified payments by province | | 201 | | (201) |
| | 1,930,125,864 | 16,175 | 15,974 | 1,930,125,663 |
| Net collections (overpayments) of corporation income taxes for 1996 | (1,154) | 17,228 | 15,974 | 100 |
| Corporation income taxes collected by National | | | | |
| Revenue for 1997 | 2,646,479,000 | 1,000 | 438,622,541 | 2,207,857,459 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 63,267,000 | | 7,584,056 | 70,851,056 |
| Prince Edward Island | 23,777,000 | 302,213 | | 23,474,787 |
| Nova Scotia | 158,169,128 | 293,688 | 9,489,842 | 167,365,282 |
| New Brunswick | 232,921,000 | 42,821,010 | | 190,099,990 |
| Quebec | | | 10,696,431 | 10,696,431 |
| Ontario | | | 33,137,772 | 33,137,772 |
| Manitoba | 225,877,000 | | 17,806,195 | 243,683,195 |
| Saskatchewan | 244,716,000 | | 5,686,844 | 250,402,844 |
| Alberta | | | 12,227,439 | 12,227,439 |
| British Columbia | 1,257,334,000 | 54,834,092 | | 1,202,499,908 |
| Yukon | 9,618,000 | | 110,662 | 9,728,662 |
| Northwest Territories | 36,786,000 | 1,292,850 | | 35,493,150 |
| Unidentified payments by province | | 15,795,296 | | (15,795,296) |
| | 2,252,465,128 | 115,339,149 | 96,739,241 | 2,233,865,220 |
| Net collections (overpayments) of corporation income taxes for 1997 | 394,013,872 | 115,340,149 | 535,361,782 | (26,007,761) |

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|--------------------|-------------------------------|-------------------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Corporation income taxes collected by National | | | | |
| Revenue for 1998 | 105,752,000 | 2,507,675,000 | 427,652,000 | 2,185,775,000 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 6,472,000 | | 70,242,000 | 76,714,000 |
| Prince Edward Island | 2,310,000 | | 25,036,000 | 27,346,000 |
| Nova Scotia | 14,719,688 | | 152,968,312 | 167,688,000 |
| New Brunswick | 17,301,500 | | 176,717,500 | 194,019,000 |
| Manitoba | 19,228,000 | | 198,516,000 | 217,744,000 |
| Saskatchewan | 19,184,000 | | 203,589,000 | 222,773,000 |
| British Columbia | 98,728,000 | | 1,071,786,000 | 1,170,514,000 |
| Yukon | 856,000 | | 9,296,000 | 10,152,000 |
| Northwest Territories | 2,968,000 | | 32,225,000 | 35,193,000 |
| | 181,767,188 | | 1,940,375,812 | 2,122,143,000 |
| Net collections (overpayments) of corporation income taxes for 1998 | (76,015,188) | 2,507,675,000 | 2,368,027,812 | 63,632,000 |
| Corporation income taxes collected by National | | | | |
| Revenue for 1999 | | 680,831,000 | 639,424,000 | 41,407,000 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | | | 5,302,000 | 5,302,000 |
| Prince Edward Island | | | 1,828,000 | 1,828,000 |
| Nova Scotia | | | 13,776,000 | 13,776,000 |
| New Brunswick | | | 13,781,333 | 13,781,333 |
| Manitoba | | | 17,540,000 | 17,540,000 |
| Saskatchewan | | | 17,724,000 | 17,724,000 |
| British Columbia | | | 84,120,000 | 84,120,000 |
| Yukon | | | 682,000 | 682,000 |
| Northwest Territories | | | 1,048,000 | 1,048,000 |
| | | | 155,801,333 | 155,801,333 |
| Net collections (overpayments) of corporation income taxes for 1999 | | 680,831,000 | 795,225,333 | (114,394,333) |
| Total corporation income taxes on hand | 317,695,510 | 3,304,894,916 | 3,699,360,420 | (76,769,994) |
| Harmonized sales tax collected by National | | | | |
| Revenue for 1997 | 1,332,931,647 | | 137,533,853 | 1,195,397,794 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 282,787,806 | | | 282,787,806 |
| Nova Scotia | 506,467,031 | | | 506,467,031 |
| New Brunswick | 406,142,957 | | | 406,142,957 |
| | 1,195,397,794 | | | 1,195,397,794 |
| Net collections (overpayments) of harmonized sales tax for 1997 | 137,533,853 | | 137,533,853 | |
| Harmonized sales tax collected by National | | | | |
| Revenue for 1998 | 137,533,853 | 1,512,990,057 | | 1,650,523,910 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | 65,388,673 | | 325,735,792 | 391,124,465 |
| Nova Scotia | 116,276,712 | | 582,338,358 | 698,615,070 |
| New Brunswick | 93,544,868 | | 467,239,507 | 560,784,375 |
| | 275,210,253 | | 1,375,313,657 | 1,650,523,910 |
| Net collections (overpayments) of harmonized sales tax for 1998 | (137,676,400) | 1,512,990,057 | 1,375,313,657 | |

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|----------------------|-------------------------------|-------------------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Harmonized sales tax collected by National Revenue for 1999 | | 286,053,663 | | 286,053,663 |
| Less: payments to provinces and territories— | | | | |
| Newfoundland | | | 67,851,588 | 67,851,588 |
| Nova Scotia | | | 121,251,322 | 121,251,322 |
| New Brunswick | | | 97,094,345 | 97,094,345 |
| | | | 286,197,255 | 286,197,255 |
| Net collections (overpayments) of harmonized sales tax for 1999 | | 286,053,663 | 286,197,255 | (143,592) |
| Total harmonized sales tax on hand | (142,547) | 1,799,043,720 | 1,799,044,765 | (143,592) |
| First Nations Tax Agreements— | | | | |
| Revenue for 1998 | 27,695 | 692,163 | | 719,858 |
| Less: payments to First Nations— | | | | |
| First Nations | 27,695 | | 692,163 | 719,858 |
| | 27,695 | | 692,163 | 719,858 |
| Net collections (overpayments) of First Nations Tax Agreements taxes for 1998 | | 692,163 | 692,163 | |
| Total First Nations Tax Agreements taxes on hand | | 692,163 | 692,163 | |
| Total | 1,174,735,067 | 40,561,144,838 | 39,295,520,352 | 2,440,359,553 |

Miscellaneous payroll deductions

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

Deferred revenues

This account records non-tax revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year.

Suspense accounts

Accounts in which transactions are recorded temporarily, pending their ultimate disposition.

Other

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, matured debt, and unamortized premiums, discounts and commissions on unmatured debt.

Table 5.5 presents a summary of the balances for the accounts in this category of accounts payable, accruals and allowances.

TABLE 5.5
INTEREST AND MATURED DEBT

| | April 1/1998 | March 31/1999 |
|--|----------------|----------------|
| | \$ | \$ |
| Interest due | 4,197,224,447 | 3,190,419,057 |
| Interest accrued | 6,484,255,847 | 6,752,206,215 |
| Matured debt | 347,603,287 | 388,621,740 |
| | 11,029,083,581 | 10,331,247,012 |
| Less: unamortized discounts on Canada bills | 73,558,791 | 61,502,612 |
| unamortized discounts on Treasury bills | 1,468,226,383 | 1,327,244,109 |
| unamortized discounts and premiums on marketable bonds | (992,984,112) | (912,445,631) |
| unamortized commissions on Canada savings bonds | 61,611,593 | 63,962,512 |
| | 610,412,655 | 540,263,602 |
| Total | 10,418,670,926 | 9,790,983,410 |

Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to non-tax revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

Unamortized discounts on Canada bills

This account records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

Unamortized discounts on Treasury bills

This account records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

Unamortized discounts and premiums on marketable bonds

This account records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenditures. Discounts and premiums are amortized to expenditures over the life of the bonds.

Unamortized commissions on Canada savings bonds

This account records the portion of the commissions on outstanding Canada savings bonds which has not yet been charged to expenditures. Commissions are amortized to expenditures over the life of the bonds.

Allowance for Employee Benefits

This account records allowances for amounts owing for earned and unpaid annual vacation leave and compensation time, for employee benefits payable upon termination of employment and for unsigned pay adjustments.

Allowance for Loan Guarantees and Borrowings of Crown Corporations

This category of accounts payable, accruals and allowances includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.6 presents a summary of the balances for the accounts in this category of accounts payable, accruals and allowances.

TABLE 5.6

ALLOWANCE FOR LOAN GUARANTEES AND BORROWINGS OF CROWN CORPORATIONS

| | April 1/1998 | March 31/1999 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Allowance for loan guarantees | 923,000,000 | 890,000,000 |
| Allowance for borrowings of Crown corporations— | | |
| Borrowings of agent enterprise Crown corporations | 34,278,732,000 | 39,698,016,000 |
| Less: borrowings expected to be repaid by these enterprise Crown corporations | 31,013,732,000 | 36,498,016,000 |
| | <u>3,265,000,000</u> | <u>3,200,000,000</u> |
| Total | 4,188,000,000 | 4,090,000,000 |

Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

This account reports the borrowings of agent enterprise Crown corporations expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

SECTION 6

1998-99

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Unmatured debt— | |
| Marketable bonds | 6.4 |
| Treasury bills | 6.9 |
| Canada savings bonds | 6.10 |
| Bonds for Canada Pension Plan | 6.11 |
| Canada bills | 6.12 |
| Canada notes | 6.13 |
| Euro medium-term notes | 6.14 |
| Interest rates | 6.15 |
| Maturity of Government debt | 6.16 |
| Statement of all borrowing transactions on behalf of Her Majesty | 6.16 |
| Pension and other accounts— | |
| Public sector pensions | 6.17 |
| Canada Pension Plan | 6.26 |
| Other— | |
| Government Annuities Account | 6.28 |
| Confederation Bridge | 6.28 |
| Pilot Training Program—MILIT-AIR Inc. | 6.28 |
| Deposit and trust accounts | 6.29 |
| Other specified purpose accounts | 6.35 |
| Supplementary statements— | |
| Canada Pension Plan | 6.48 |
| Government Annuities Account | 6.56 |
| Royal Canadian Mounted Police (Dependants) Pension Plan | 6.60 |

INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year, while Chart 6B compares interest-bearing debt for the last ten fiscal years.

The financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

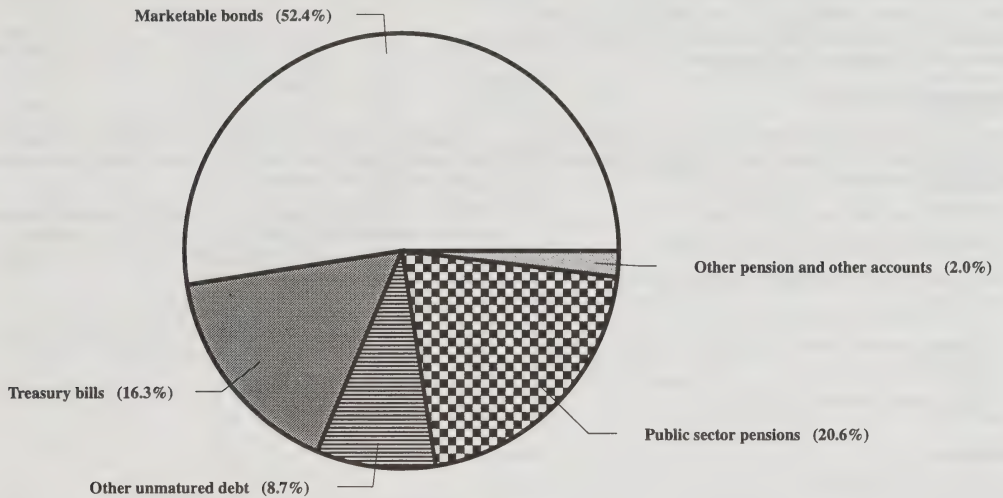
TABLE 6.1
INTEREST-BEARING DEBT

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|---|------------------------|-------------------------------|-------------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Unmatured debt ⁽¹⁾ — | | | | |
| Payable in Canadian currency— | | | | |
| Marketable bonds, Table 6.2 | 294,582,951,718 | 38,143,883,659 | 36,975,000,000 | 295,751,835,377 |
| Treasury bills, Table 6.3 | 112,300,000,000 | 198,650,000,000 | 214,000,000,000 | 96,950,000,000 |
| Canada savings bonds, Table 6.4 | 29,769,174,904 | 4,929,748,641 | 7,037,054,793 | 27,661,868,752 |
| Bonds for Canada Pension Plan, Table 6.5 | 3,456,232,000 | 3,520,147,000 | 2,913,612,000 | 4,062,767,000 |
| | 440,108,358,622 | 245,243,779,300 | 260,925,666,793 | 424,426,471,129 |
| Payable in foreign currencies— | | | | |
| Marketable bonds, Table 6.2 | 14,650,916,652 | 7,836,108,648 | 2,839,600,000 | 19,647,425,300 |
| Canada bills, Table 6.6 | 9,355,813,274 | 39,842,573,753 | 39,027,520,677 | 10,170,866,350 |
| Canada notes, Table 6.7 | 1,665,425,400 | 671,393,500 | 1,076,208,400 | 1,260,610,500 |
| Euro medium-term notes, Table 6.8 | 1,511,026,000 | 3,508,491,578 | 98,400,000 | 4,921,117,578 |
| | 27,183,181,326 | 51,858,567,479 | 43,041,729,077 | 36,000,019,728 |
| Total—Unmatured debt | 467,291,539,948 | 297,102,346,779 | 303,967,395,870 | 460,426,490,857 |
| Pension and other accounts— | | | | |
| Public sector pensions, Table 6.13— | | | | |
| Superannuation accounts | 127,375,350,521 | 15,392,805,721 | 6,140,700,451 | 136,627,455,791 |
| Allowance for pension adjustments | (9,919,000,000) | 1,277,000,000 | 5,578,000,000 | (14,220,000,000) |
| | 117,456,350,521 | 16,669,805,721 | 11,718,700,451 | 122,407,455,791 |
| Canada Pension Plan Account, Table 6.22— | | | | |
| Canada Pension Plan | 36,664,418,706 | 18,725,522,654 | 18,499,237,449 | 36,890,703,911 |
| Less: securities held and short-term investments | 32,458,924,000 | 4,614,918,000 | 3,619,947,000 | 31,463,953,000 |
| | 4,205,494,706 | 23,340,440,654 | 22,119,184,449 | 5,426,750,911 |
| Other— | | | | |
| Government Annuities Account | 628,308,201 | 41,338,191 | 84,042,108 | 585,604,284 |
| Confederation Bridge | 812,449,000 | | 13,005,000 | 799,444,000 |
| Pilot Training Program—MILIT-AIR Inc. | | 703,000,000 | | 703,000,000 |
| Deposit and trust accounts, Table 6.24 | 1,255,140,656 | 817,527,039 | 915,613,500 | 1,157,054,195 |
| Other specified purpose accounts, Table 6.27 | 3,175,835,092 | 1,147,617,893 | 844,244,066 | 3,479,208,919 |
| | 5,871,732,949 | 2,709,483,123 | 1,856,904,674 | 6,724,311,398 |
| Total—Pension and other accounts | 127,533,578,176 | 42,719,729,498 | 35,694,789,574 | 134,558,518,100 |
| Total | 594,825,118,124 | 339,822,076,277 | 339,662,185,444 | 594,985,008,957 |

⁽¹⁾ This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

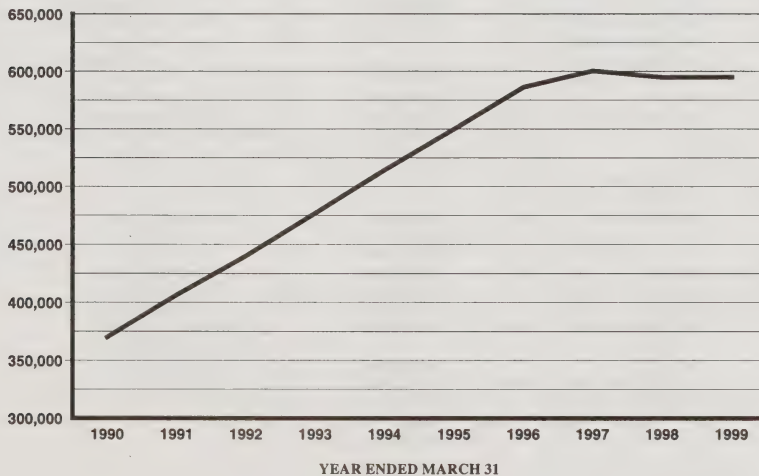
CHART 6A

INTEREST-BEARING DEBT BY CATEGORY AS AT MARCH 31, 1999

**CHART 6B**

INTEREST-BEARING DEBT

(in millions of dollars)



UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1999.

TABLE 6.2
MARKETABLE BONDS

| Maturity date | % | Issue date | Series | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges ⁽¹⁾ | March 31/1999 |
|-------------------------------|-------|-----------------------|--------|----------------|---|---|----------------|
| | | | | \$ | \$ | \$ | \$ |
| Payable in Canadian currency— | | | | | | | |
| Matured 1998-99 | | | | | | | |
| 1998—Sept 1 | 6.5 | May 1/93-June 1/93 | | | | | |
| | | Sept 1/93-Oct 29/93 | A60 | 6,800,000,000 | | 6,800,000,000 | |
| Sept 15 | 6.25 | June 17/96-Sept 16/96 | VZ48 | 6,000,000,000 | | 6,000,000,000 | |
| Oct 1 | 9.5 | June 30/88-July 21/88 | | | | | |
| | | Nov 15/88-July 1/89 | | | | | |
| | | Aug 15/91 | A17 | 3,100,000,000 | | 3,100,000,000 | |
| Nov 1 | 8 | Apr 18/95-July 17/95 | A80 | 5,100,000,000 | | 5,100,000,000 | |
| Dec 1 | 10.25 | Sept 1/88-Oct 15/88 | | | | | |
| | | Dec 15/88-Jan 26/89 | A18 | 2,275,000,000 | | 2,275,000,000 | |
| 1999—Mar 1 | 5.75 | Dec 1/93-Dec 29/93 | | | | | |
| | | Mar 1/94 | A70 | 6,700,000,000 | | 6,700,000,000 | |
| Mar 15 | 4 | Dec 16/96-Mar 17/97 | WD27 | 6,000,000,000 | | 6,000,000,000 | |
| | | | | 35,975,000,000 | | 35,975,000,000 | |
| Maturing 1999-2000 | | | | | | | |
| 1999—Aug 1 | 6.5 | Apr 15/96-July 17/96 | VV34 | 5,600,000,000 | | | 5,600,000,000 |
| Sept 1 | 7.75 | Apr 15/94-June 1/94 | | | | | |
| | | July 4/94-Sept 1/94 | A73 | 8,500,000,000 | | | 8,500,000,000 |
| Sept 15 | 4.75 | June 16/97-Sept 15/97 | WF74 | 7,000,000,000 | | | 7,000,000,000 |
| Oct 15 | 9 | Oct 15/77-Dec 15/77 | J13 | 527,500,000 | | | 527,500,000 |
| Dec 1 | 13.5 | Dec 1/80 | J53 | 400,000,000 | | | 400,000,000 |
| Dec 1 | 9.25 | Sept 21/89-Oct 1/89 | | | | | |
| | | Nov 16/89-Dec 15/89 | A27 | 2,825,000,000 | | | 2,825,000,000 |
| 2000—Feb 1 | 5.5 | Oct 15/96-Jan 15/97 | WC44 | 5,500,000,000 | | | 5,500,000,000 |
| Mar 1 | 8.5 | Oct 1/94-Dec 1/94 | | | | | |
| | | Mar 1/95 | A77 | 6,500,000,000 | | | 6,500,000,000 |
| Mar 15 | 5 | Dec 15/97-Mar 16/98 | WK69 | 7,000,000,000 | | | 7,000,000,000 |
| Mar 15 | 13.75 | Mar 31/80-Mar 1/81 | | | | | |
| | | Mar 31/81-Oct 15/82 | J39 | 1,050,000,000 | | | 1,050,000,000 |
| | | | | 44,902,500,000 | | | 44,902,500,000 |

TABLE 6.2

MARKETABLE BONDS—Continued

| Maturity date | % | Issue date | Series | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges ⁽¹⁾ | March 31/1999 |
|------------------|-------|-----------------------|--------|----------------|---|---|----------------|
| | | | | \$ | \$ | \$ | \$ |
| Maturing 2000-01 | | | | | | | |
| 2000—May 1 | 9.75 | Feb 1/90-Feb 15/90 | A30 | 1,575,000,000 | | | 1,575,000,000 |
| July 1 | 10.5 | Mar 15/90-Mar 29/90 | | | | | |
| | | June 21/90-Aug 1/90 | A32 | 2,900,000,000 | | | 2,900,000,000 |
| July 1 | 15 | July 1/81 | J70 | 175,000,000 | | | 175,000,000 |
| Sept 1 | 11.5 | May 1/90-Nov 1/90 | A33 | 1,200,000,000 | | | 1,200,000,000 |
| Sept 1 | 7.5 | June 1/95-July 4/95 | | | | | |
| | | Sept 1/95 | A81 | 7,600,000,000 | | | 7,600,000,000 |
| Dec 1 | 5 | June 15/98-Sept 15/98 | WP56 | | 7,000,000,000 | | 7,000,000,000 |
| Dec 15 | 9.75 | Dec 15/78 | J22 | 500,000,000 | | | 500,000,000 |
| 2001—Feb 1 | 15.75 | June 1/81-July 31/81 | J66 | 425,000,000 | | | 425,000,000 |
| Mar 1 | 10.5 | Sept 20/90-Oct 1/90 | | | | | |
| | | Dec 15/90-Feb 1/91 | A37 | 3,175,000,000 | | | 3,175,000,000 |
| Mar 1 | 7.5 | Oct 2/95-Dec 1/95 | | | | | |
| | | Jan 4/96-Mar 1/96 | VR22 | 9,400,000,000 | | | 9,400,000,000 |
| | | | | 26,950,000,000 | 7,000,000,000 | | 33,950,000,000 |
| Maturing 2001-02 | | | | | | | |
| 2001—May 1 | 13 | May 1/80-Oct 1/80 | | | | | |
| | | Feb 1/81 | J42 | 1,325,000,000 | | | 1,325,000,000 |
| June 1 | 4.5 | Dec 15/98-Mar 15/99 | WT78 | | 7,000,000,000 | | 7,000,000,000 |
| June 1 | 9.75 | Feb 21/91-Mar 1/91 | | | | | |
| | | Mar 28/91-May 16/91 | A40 | 3,550,000,000 | | | 3,550,000,000 |
| Sept 1 | 7 | June 3/96-July 2/96 | | | | | |
| | | Sept 3/96-Dec 2/96 | VX99 | 10,600,000,000 | | | 10,600,000,000 |
| Oct 1 | 9.5 | Oct 1/76-Dec 1/76 | | | | | |
| | | Apr 1/78-May 15/78 | | | | | |
| Dec 1 | 9.75 | July 1/78 | J2 | 1,232,750,000 | | | 1,232,750,000 |
| | | July 1/91-July 18/91 | | | | | |
| | | Sept 1/91-Oct 1/91 | A45 | 3,850,000,000 | | | 3,850,000,000 |
| 2002—Feb 1 | 8.75 | Feb 1/77 | J7 | 213,000,000 | | | 213,000,000 |
| Mar 15 | 15.5 | Mar 31/82-May 1/82 | J79 | 350,000,000 | | | 350,000,000 |
| | | | | 21,120,750,000 | 7,000,000,000 | | 28,120,750,000 |
| Maturing 2002-03 | | | | | | | |
| 2002—Apr 1 | 8.5 | Nov 14/91-Dec 15/91 | | | | | |
| | | Mar 1/92-May 1/92 | | | | | |
| | | July 15/92 | A47 | 5,450,000,000 | | | 5,450,000,000 |
| May 1 | 10 | May 1/79-June 1/79 | | | | | |
| | | July 15/79 | J25 | 1,850,000,000 | | | 1,850,000,000 |
| Sept 1 | 5.5 | Mar 3/97-June 2/97 | | | | | |
| | | Sept 2/97-Dec 1/97 | WE00 | 10,200,000,000 | | | 10,200,000,000 |
| Dec 15 | 11.25 | Dec 15/79-July 1/80 | | | | | |
| | | May 15/83 | J34 | 1,625,000,000 | | 185,299,000 | 1,439,701,000 |
| 2003—Feb 1 | 11.75 | Feb 1/80-June 1/80 | | | | | |
| | | Aug 1/80-Feb 1/83 | | | | | |
| | | Apr 27/83-June 21/83 | | | | | |
| | | July 12/83 | J35 | 2,700,000,000 | | 73,325,000 | 2,626,675,000 |
| | | | | 21,825,000,000 | | 258,624,000 | 21,566,376,000 |
| Maturing 2003-04 | | | | | | | |
| 2003—June 1 | 7.25 | Sept 25/92-Oct 26/92 | | | | | |
| | | Nov 20/92-Jan 18/93 | | | | | |
| | | Feb 15/93 | A57 | 6,900,000,000 | | | 6,900,000,000 |
| Sept 1 | 5.25 | Mar 2/98-June 1/98 | | | | | |
| | | Sept 1/98-Dec 1/98 | WN09 | 2,400,000,000 | 7,300,000,000 | | 9,700,000,000 |
| Oct 1 | 9.5 | Aug 15/78-Oct 1/78 | J18 | 670,500,000 | | 25,822,000 | 644,678,000 |
| Dec 1 | 7.5 | May 21/93-July 1/93 | | | | | |
| | | Aug 16/93-Sept 28/93 | | | | | |
| | | Nov 15/93 | A61 | 8,800,000,000 | | | 8,800,000,000 |
| 2004—Feb 1 | 10.25 | Feb 1/79-Mar 15/79 | | | | | |
| | | Mar 21/79-Aug 15/79 | J24 | 2,200,000,000 | | 214,554,000 | 1,985,446,000 |
| | | | | 20,970,500,000 | 7,300,000,000 | 240,376,000 | 28,030,124,000 |

TABLE 6.2

MARKETABLE BONDS—Continued

| Maturity date | % | Issue date | Series | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges ⁽¹⁾ | March 31/1999 |
|------------------|-------|----------------------|--------|----------------|--|--|----------------|
| | | | | \$ | \$ | \$ | \$ |
| Maturing 2004-05 | | | | | | | |
| 2004—June 1 | 13.5 | Apr 1/84-May 1/84 | H22 | 550,000,000 | | 1,000,000 | 549,000,000 |
| June 1 | 6.5 | Jan 14/94-Feb 15/94 | | | | | |
| | | Apr 1/94-May 15/94 | A72 | 7,900,000,000 | | | 7,900,000,000 |
| Sept 1 | 5 | Mar 1/99 | WU42 | | 2,500,000,000 | | 2,500,000,000 |
| Oct 1 | 10.5 | Oct 1/79-Dec 15/87 | J30 | 875,000,000 | | | 875,000,000 |
| Dec 1 | 9 | July 15/94-Aug 15/94 | | | | | |
| | | Nov 15/94-Feb 15/95 | A75 | 7,700,000,000 | | | 7,700,000,000 |
| 2005—Mar 1 | 12 | Oct 15/83-Nov 8/83 | | | | | |
| | | Dec 15/83-Feb 1/84 | | | | | |
| | | Feb 21/84-Dec 15/84 | H9 | 1,775,000,000 | | | 1,775,000,000 |
| | | | | 18,800,000,000 | 2,500,000,000 | 1,000,000 | 21,299,000,000 |
| Maturing 2005-06 | | | | | | | |
| 2005—Sept 1 | 12.25 | Aug 1/83-Sept 1/83 | | | | | |
| | | Sept 27/83-Apr 10/85 | H6 | 1,375,000,000 | | | 1,375,000,000 |
| Dec 1 | 8.75 | Apr 3/95-May 15/95 | | | | | |
| | | Aug 15/95-Nov 15/95 | A79 | 8,000,000,000 | | | 8,000,000,000 |
| 2006—Mar 1 | 12.5 | Mar 13/84-Nov 14/84 | | | | | |
| | | Mar 19/85 | H18 | 975,000,000 | | | 975,000,000 |
| | | | | 10,350,000,000 | | | 10,350,000,000 |
| Maturing 2006-07 | | | | | | | |
| 2006—Oct 1 | 14 | June 1/84-July 11/84 | | | | | |
| | | Aug 1/84 | H26 | 1,025,000,000 | | | 1,025,000,000 |
| Dec 1 | 7 | Feb 15/96-Mar 29/96 | | | | | |
| | | May 15/96-Aug 15/96 | VU50 | 9,100,000,000 | | | 9,100,000,000 |
| 2007—Mar 1 | 13.75 | June 19/84 | H30 | 325,000,000 | | | 325,000,000 |
| | | | | 10,450,000,000 | | | 10,450,000,000 |
| Maturing 2007-08 | | | | | | | |
| 2007—June 1 | 7.25 | Oct 1/96-Nov 15/96 | | | | | |
| | | Feb 17/97-May 15/97 | WB60 | 9,500,000,000 | | | 9,500,000,000 |
| Oct 1 | 13 | Aug 22/84-Sept 12/84 | H36 | 700,000,000 | | | 700,000,000 |
| 2008—Mar 1 | 12.75 | Oct 1/84-Oct 24/84 | H41 | 750,000,000 | | | 750,000,000 |
| | | | | 10,950,000,000 | | | 10,950,000,000 |
| Maturing 2008-09 | | | | | | | |
| 2008—June 1 | 6 | Aug 15/97-Nov 17/97 | | | | | |
| | | Feb 16/98-May 15/98 | WH31 | 6,900,000,000 | 2,300,000,000 | | 9,200,000,000 |
| June 1 | 10 | Dec 15/85-Sept 1/87 | | | | | |
| | | Feb 1/88-Apr 14/88 | | | | | |
| | | June 1/88-July 21/88 | | | | | |
| | | Oct 15/88-Dec 15/88 | | | | | |
| | | Feb 23/89-June 1/89 | H74 | 3,450,000,000 | | 192,146,000 | 3,257,854,000 |
| Oct 1 | 11.75 | Feb 1/85-May 1/85 | H52 | 725,000,000 | | 80,247,000 | 644,753,000 |
| 2009—Mar 1 | 11.5 | May 22/85 | H58 | 400,000,000 | | | 400,000,000 |
| | | | | 11,475,000,000 | 2,300,000,000 | 272,393,000 | 13,502,607,000 |
| Maturing 2009-10 | | | | | | | |
| 2009—June 1 | 5.5 | Aug 17/98-Nov 16/98 | | | | | |
| | | Feb 15/99 | WR13 | | 6,900,000,000 | | 6,900,000,000 |
| June 1 | 11 | Oct 1/85-Oct 23/85 | | | | | |
| | | Oct 15/87 | H68 | 925,000,000 | | 56,743,000 | 868,257,000 |
| Oct 1 | 10.75 | June 12/85-July 1/85 | | | | | |
| | | Sept 1/85-Sept 1/88 | H63 | 1,300,000,000 | | 75,864,000 | 1,224,136,000 |
| 2010—Mar 1 | 9.75 | Mar 15/86 | H79 | 325,000,000 | | | 325,000,000 |
| | | | | 2,550,000,000 | 6,900,000,000 | 132,607,000 | 9,317,393,000 |

TABLE 6.2

MARKETABLE BONDS—Continued

| Maturity date | % | Issue date | Series | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges ⁽¹⁾ | March 31/1999 |
|---------------------------------|---------------------|---|--------|---------------------------------|--|--|---------------------------------|
| | | | | \$ | \$ | \$ | \$ |
| Maturing 2010-11 2010—June 1 | 9.5 | Apr 10/86-July 1/87 July 1/89-Aug 10/89 Oct 1/89-Dec 15/89 | | | | | |
| | | Feb 1/90 | H81 | 2,975,000,000 | | 95,000,000 | 2,880,000,000 |
| Oct 1 | 8.75 | Apr 28/86 | H85 | 325,000,000 | | | 325,000,000 |
| 2011—Mar 1 | 9 | July 3/86-Sept 2/86 Oct 23/86-Dec 15/86 May 1/87-Mar 15/88 | | | | | |
| | | | H87 | 1,975,000,000 5,275,000,000 | | 95,000,000 | 1,975,000,000 5,180,000,000 |
| Maturing 2011-12 2011—June 1 | 8.5 | Feb 19/87-Mar 15/87 | H98 | 750,000,000 | | | 750,000,000 |
| Maturing 2013-14 2014—Mar 15 | 10.25 | Mar 15/89-Mar 30/89 Mar 15/90-July 1/90 Aug 1/90-Feb 21/91 | A23 | 3,150,000,000 | | | 3,150,000,000 |
| Maturing 2015-16 2015—June 1 | 11.25 | May 1/90-May 31/90 Oct 1/90-Nov 15/90 | A34 | 2,350,000,000 | | | 2,350,000,000 |
| Maturing 2019-20 2019—Dec 31 | 10.186 | Mar 23/90 | M1 | 8,436,324 | | | 8,436,324 |
| Maturing 2020-21 2021—Mar 15 | 10.5 | Dec 15/90-Jan 9/91 Feb 1/91 | A39 | 1,800,000,000 | | | 1,800,000,000 |
| Maturing 2021-22 2021—June 1 | 9.75 | May 9/91-June 1/91 July 1/91-Aug 1/91 Sept 1/91-Oct 17/91 | A43 | 4,650,000,000 | | | 4,650,000,000 |
| Dec 1 | 4.25 ⁽²⁾ | Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-June 21/94 Sept 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95 | L25 | 5,655,592,485 10,305,592,485 | 106,668,358 106,668,358 | | 5,762,260,843 10,412,260,843 |
| Maturing 2022-23 2022—June 1 | 9.25 | Dec 15/91-Jan 3/92 May 15/92 | A49 | 2,550,000,000 | | | 2,550,000,000 |
| Maturing 2023-24 2023—June 1 | 8 | Aug 17/92-Feb 1/93 Apr 1/93-July 26/93 Oct 15/93-Feb 1/94 May 2/94 | A55 | 8,200,000,000 | | | 8,200,000,000 |
| Maturing 2025-26 2025—June 1 | 9 | Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96 | A76 | 8,900,000,000 | | | 8,900,000,000 |

TABLE 6.2

MARKETABLE BONDS—*Concluded*

| Maturity date | % | Issue date | Series | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges ⁽¹⁾ | March 31/1999 |
|---|-------|--|--------|-----------------|---|---|-----------------|
| | | | | \$ | \$ | \$ | \$ |
| Maturing 2026-27 2026—Dec 1 | 4.25 | (2) Dec 7/95-Mar 6/96 June 6/96-Sept 6/96 Dec 6/96-Mar 12/97 June 9/97-Sept 8/97 Dec 8/97-Mar 9/98 June 8/98-Sept 7/98 Dec 7/98 | L26 | 4,197,397,909 | 1,332,302,935 | | 5,529,700,844 |
| Maturing 2027-28 2027—June 1 | 8 | May 1/96-Aug 1/96 Nov 1/96-Feb 1/97 May 1/97-Aug 1/97 Nov 1/97 | VW17 | 9,600,000,000 | | | 9,600,000,000 |
| Maturing 2029-30 2029—June 1 | 5.75 | Feb 2/98-May 1/98 Nov 2/98 | WL43 | 1,200,000,000 | 3,300,000,000 | | 4,500,000,000 |
| Maturing 2031-32 2031—Dec 1 | 4 | Mar 8/99 | L 27 | | 404,912,366 | | 404,912,366 |
| | | | | 294,605,176,718 | 38,143,883,659 | 36,975,000,000 | 295,774,060,377 |
| | | | | 22,225,000 | | | 22,225,000 |
| Less: Government's holdings | | | | | | | |
| Total marketable bonds (Canadian currency) | | | | 294,582,951,718 | 38,143,883,659 | 36,975,000,000 | 295,751,835,377 |
| Payable in foreign currencies— 1999—Feb 10 | (3) | Feb 10/94 | | 2,839,600,000 | | 2,839,600,000 | |
| 2000—May 30 | 6.5 | May 30/95 | | 2,129,700,000 | 133,350,000 | | 2,263,050,000 |
| 2001—May 30 | 6.5 | May 30/96 | | 1,419,800,000 | 88,900,000 | | 1,508,700,000 |
| 2002—July 15 | 6.125 | July 15/97 | | 1,419,800,000 | 88,900,000 | | 1,508,700,000 |
| 2003—Feb 19 | 5.625 | Feb 19/98 | | 2,839,600,000 | 177,800,000 | | 3,017,400,000 |
| 2005—July 21 | 6.375 | July 21/95 | | 2,129,700,000 | 133,350,000 | | 2,263,050,000 |
| 2006—Aug 28 | 6.75 | Aug 28/96 | | 1,419,800,000 | 88,900,000 | | 1,508,700,000 |
| 2007—Oct 3 | 6.625 | Oct 3/97 | | 452,916,652 | 28,358,648 | | 481,275,300 |
| 2008—July 7 | 4.875 | July 7/98 | | | 3,324,800,000 | | 3,324,800,000 |
| 2008—Nov 5 | 5.25 | Nov 5/98 | | | 3,771,750,000 | | 3,771,750,000 |
| Total marketable bonds (foreign currencies) | | | | 14,650,916,652 | 7,836,108,648 | 2,839,600,000 | 19,647,425,300 |
| Total | | | | 309,233,868,370 | 45,979,992,307 | 39,814,600,000 | 315,399,260,677 |

(1) This column includes the translation in Canadian dollars of marketable bonds payable in foreign currencies using closing rates of exchange at March 31.

(2) The rate of return of this issue is linked to the Consumer Price Index for Canada.

(3) The rate of interest was variable throughout the year.

Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- common terms: 3 months, 6 months and 12 months;
- issued in Canadian currency only;
- transferable; and,
- bought and sold on the open market.

Three-month and six-month bills are usually issued weekly, while other bills are issued every two weeks, usually for periods of one year or less.

The balance at March 31, 1999 consists of CAN\$9,750 million in odd issue bills; CAN\$27,700 million in three-month bills; CAN\$20,000 million in six-month bills; and, CAN\$39,500 million in 364-day bills.

Table 6.3 presents a monthly summary of Treasury bill issues and redemptions.

TABLE 6.3
TREASURY BILLS
(in millions of dollars)

| | Issues | | | | Redemptions | | | | Net change |
|---------------------------------|---------------|---------------|-------------|---------|---------------|---------------|-------------|---------|------------|
| | 3 month bills | 6 month bills | Other bills | Total | 3 month bills | 6 month bills | Other bills | Total | |
| April, 1998 | 10,800 | 5,400 | 9,300 | 25,500 | 11,400 | 4,000 | 14,300 | 29,700 | (4,200) |
| May | 6,400 | 3,100 | 2,700 | 12,200 | 8,200 | 4,200 | 8,700 | 21,100 | (8,900) |
| June | 6,400 | 3,000 | 2,600 | 12,000 | 8,400 | 3,800 | 4,300 | 16,500 | (4,500) |
| July | 6,600 | 3,100 | 2,900 | 12,600 | 7,300 | 4,200 | 4,200 | 15,700 | (3,100) |
| August | 6,900 | 3,300 | 3,200 | 13,400 | 6,700 | 4,300 | 4,500 | 15,500 | (2,100) |
| September | 6,600 | 3,200 | 2,900 | 12,700 | 6,400 | 4,200 | 5,700 | 16,300 | (3,600) |
| October | 9,700 | 4,500 | 7,200 | 21,400 | 9,800 | 7,000 | 3,800 | 20,600 | 800 |
| November | 6,400 | 3,000 | 6,800 | 16,200 | 6,900 | 3,000 | 6,800 | 16,700 | (500) |
| December | 6,600 | 3,000 | 5,300 | 14,900 | 6,600 | 3,000 | 4,400 | 14,000 | 900 |
| January, 1999 | 7,400 | 3,100 | 5,100 | 15,600 | 6,400 | 3,200 | 9,300 | 18,900 | (3,300) |
| February | 8,200 | 3,700 | 6,000 | 17,900 | 6,600 | 3,300 | 5,800 | 15,700 | 2,200 |
| March | 8,800 | 4,200 | 11,250 | 24,250 | 6,400 | 3,100 | 3,800 | 13,300 | 10,950 |
| | 90,800 | 42,600 | 65,250 | 198,650 | 91,100 | 47,300 | 75,600 | 214,000 | (15,350) |
| Balance at April 1, 1998 | | | | | | | | | 112,300 |
| Balance at March 31, 1999 | | | | | | | | | 96,950 |

Canada Savings Bonds

Canada savings bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- redeemable on demand by the holder, with accrued interest calculated to the end of the previous month;
- not subject to call before maturity; and,
- term to maturity of seven years or more.

Table 6.4 presents a summary of the balances and transactions for Canada savings bonds.

TABLE 6.4
CANADA SAVINGS BONDS

| Maturity date | % | Issue date | Series | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|-----------|---------------|--------------------|----------------|----------------------------|----------------------------|----------------|
| | | | | \$ | \$ | \$ | \$ |
| 1998—Nov 1 | 3.25-4 | 1988-89 | S43 | 2,920,797,200 | | 2,920,797,200 | |
| 2001—Nov 1 | 3.25-4.25 | 1989-90 | S44 | 2,349,892,050 | | 218,670,922 | 2,131,221,128 |
| 2002—Nov 1 | 3.25-4.25 | 1990-91 | S45 | 2,126,651,150 | | 191,229,030 | 1,935,422,120 |
| 2003—Nov 1 | 3.25-4.25 | 1991-92 | S46 | 3,050,529,800 | | 288,390,459 | 2,762,139,341 |
| 2004—Nov 1 | 3.25-4.25 | 1992-93 | S47 | 3,532,062,000 | | 335,111,563 | 3,196,950,437 |
| 2005—Nov 1 | 3.25-4.25 | 1993-94 | S48 | 2,162,494,800 | | 209,167,570 | 1,953,327,230 |
| 2006—Nov 1 | 3.25-4.25 | 1994-95 | S49 | 3,442,027,600 | | 471,643,707 | 2,970,383,893 |
| 2007—Mar 1 | 4-5 | 1997-98 | P1 | 88,916,364 | | 3,834,370 | 85,081,994 |
| 2007—Nov 1 | 6.75-4 | 1995-96 | S50 | 2,604,853,452 | | 436,212,965 | 2,168,640,487 |
| 2007—Nov 1 | 3-4 | 1997-98 | S52 | 4,555,914,391 | | 1,215,375,880 | 3,340,538,511 |
| 2007—Dec 1 | 3-4 | 1997-98 | S53 | 18,000,000 | | 5,980 | 17,994,020 |
| 2008—Mar 1 | 4-4.25 | 1997-98 | P2 | 11,375,877 | 14,951,310 | | 26,327,187 |
| 2008—Nov 1 | 4-5 | 1996-97 | S51 | 3,615,757,001 | | 563,296,297 | 3,052,460,704 |
| 2008—Nov 1 | 4 | 1998-99 | S54 ⁽¹⁾ | | 2,075,320,195 | | 2,075,320,195 |
| 2008—Nov 1 | 4.5 | 1998-99 | P3 | | 2,029,257,528 | | 2,029,257,528 |
| 2008—Dec 1 | 4 | 1998-99 | P4 | | 141,802,595 | | 141,802,595 |
| 2008—Dec 1 | 3.75 | 1998-99 | S55 | | 103,071,975 | | 103,071,975 |
| 2009—Jan 1 | 3.75 | 1998-99 | S56 | | 26,186,281 | | 26,186,281 |
| 2009—Feb 1 | 3.5 | 1998-99 | S57 | | 18,675,919 | | 18,675,919 |
| 2009—Mar 1 | 3.65 | 1998-99 | S58 | | 37,801,912 | | 37,801,912 |
| 2009—Jan 1 | 4 | 1998-99 | P5 | | 30,808,358 | | 30,808,358 |
| 2009—Feb 1 | 4 | 1998-99 | P6 | | 27,651,149 | | 27,651,149 |
| 2009—Mar 1 | 4.25 | 1998-99 | P7 | | 85,644,542 | | 85,644,542 |
| | | | | 30,479,271,685 | 4,591,171,764 | 6,853,735,943 | 28,216,707,506 |
| Less: Government's holdings— | | | | | | | |
| Canada savings bonds held on account of employees | | | | 66,159,281 | 133,614,377 | 141,797,850 | 74,342,754 |
| Canada savings bonds held on account of the Payroll Savings Plan | | | | 490,532,500 | 204,962,500 | | 285,570,000 |
| Consolidation adjustment ⁽²⁾ | | | | 153,405,000 | | 41,521,000 | 194,926,000 |
| | | | | 710,096,781 | 338,576,877 | 183,318,850 | 554,838,754 |
| Total | | | | 29,769,174,904 | 4,929,748,641 | 7,037,054,793 | 27,661,868,752 |

⁽¹⁾ S54 includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

⁽²⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Bonds for Canada Pension Plan

Bonds for Canada Pension Plan are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan Investment Fund, and have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for the bonds for Canada Pension Plan.

TABLE 6.5
BONDS FOR CANADA PENSION PLAN

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--------------------------------------|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Canada Pension Plan Investment Fund— | | | | |
| Matured 1998-99 | 12,015,000 | 2,901,597,000 | 2,913,612,000 | |
| Maturing 1999-2000 | 17,709,000 | 618,550,000 | | 636,259,000 |
| 2000-01 | 22,971,000 | | | 22,971,000 |
| 2001-02 | 17,622,000 | | | 17,622,000 |
| 2002-03 | 17,414,000 | | | 17,414,000 |
| 2003-04 | 17,259,000 | | | 17,259,000 |
| 2004-05 | 16,661,000 | | | 16,661,000 |
| 2005-06 | 239,955,000 | | | 239,955,000 |
| 2006-07 | 1,352,282,000 | | | 1,352,282,000 |
| 2007-08 | 699,981,000 | | | 699,981,000 |
| 2008-09 | 519,360,000 | | | 519,360,000 |
| 2009-10 | 71,112,000 | | | 71,112,000 |
| 2010-11 | 425,010,000 | | | 425,010,000 |
| 2011-12 | 15,763,000 | | | 15,763,000 |
| 2012-13 | 11,118,000 | | | 11,118,000 |
| Total | 3,456,232,000 | 3,520,147,000 | 2,913,612,000 | 4,062,767,000 |

Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;
- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 1999.

Table 6.6 presents a monthly summary of Canada bill issues and redemptions.

TABLE 6.6
CANADA BILLS

| | Issues | Redemptions | Net change |
|---|----------------|----------------|-----------------|
| | \$ | \$ | \$ |
| April, 1998 | 2,789,229,406 | 3,606,725,039 | (817,495,633) |
| May | 2,879,973,516 | 3,341,816,524 | (461,843,008) |
| June | 2,548,056,238 | 2,671,450,319 | (123,394,081) |
| July | 2,848,731,806 | 2,597,059,772 | 251,672,034 |
| August | 3,500,691,719 | 2,067,885,222 | 1,432,806,497 |
| September | 4,632,143,589 | 2,878,421,839 | 1,753,721,750 |
| October | 4,182,512,828 | 4,395,685,019 | (213,172,191) |
| November | 3,425,876,252 | 3,561,592,739 | (135,716,487) |
| December | 3,030,832,603 | 3,916,250,107 | (885,417,504) |
| January, 1999 | 2,204,702,508 | 3,814,019,370 | (1,609,316,862) |
| February | 3,216,348,197 | 2,846,606,067 | 369,742,130 |
| March | 4,583,475,091 | 3,270,872,290 | 1,312,602,801 |
| | 39,842,573,753 | 38,968,384,307 | 874,189,446 |
| Balance at April 1, 1998 | | | 9,355,813,274 |
| Balance before revaluation | | | 10,230,002,720 |
| Exchange valuation adjustment at March 31, 1999 | | | 59,136,370 |
| Balance at March 31, 1999 | | | 10,170,866,350 |

Canada Notes

Canada notes are issued by the Government of Canada under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Canada notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 1999.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

TABLE 6.7
CANADA NOTES

| Maturity date | % | Issue date | Note # | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges ⁽¹⁾ | March 31/1999 |
|---------------------------------------|-------|-----------------------|-----------|----------------------|---|---|----------------------|
| | | | | \$ | \$ | \$ | \$ |
| Payable in foreign currencies— | | | | | | | |
| Matured 1998-99 | | | | | | | |
| 1998—Apr 1 | 5.798 | Apr 1/96 | 018 | 21,297,000 | | 21,297,000 | |
| Apr 3 | 5.864 | Apr 3/96 | 021 | 42,594,000 | | 42,594,000 | |
| Apr 9 | 5.793 | Apr 9/96 | 025 | 42,594,000 | | 42,594,000 | |
| Apr 17 | 6.077 | Apr 17/96 | 033 | 21,297,000 | | 21,297,000 | |
| Apr 20 | 5.957 | Apr 18/96 | 035 | 14,198,000 | | 14,198,000 | |
| Apr 21 | 5.963 | Apr 19/96 | 036 | 28,396,000 | | 28,396,000 | |
| May 1 | 6.396 | June 18/96 | 047 | 141,980,000 | | 141,980,000 | |
| May 1 | 6.350 | June 19/96 | 048 | 70,990,000 | | 70,990,000 | |
| May 1 | 6.280 | June 21/96 | 049 | 70,990,000 | | 70,990,000 | |
| May 1 | 6.300 | June 24/96 | 050 | 141,980,000 | | 141,980,000 | |
| May 1 | 6.345 | June 27/96 | 051 | 70,990,000 | | 70,990,000 | |
| May 1 | 6.310 | June 28/96 | 052 | 25,556,400 | | 25,556,400 | |
| May 28 | 6.087 | May 26/96 | 043 | 63,891,000 | | 63,891,000 | |
| June 4 | 6.223 | June 4/96 | 044 | 70,990,000 | | 70,990,000 | |
| June 15 | 6.430 | June 13/96 | 046 | 24,136,600 | | 24,136,600 | |
| July 13 | 5.54 | July 14/97 | 062 | 21,297,000 | | 21,297,000 | |
| Sept 10 | 6.400 | Sept 10/96 | 056 | 52,532,600 | | 52,532,600 | |
| Oct 30 | 5.38 | Nov 3/97 | 064 | 21,297,000 | | 21,297,000 | |
| Dec 16 | 5.806 | Dec 16/96 | 058 | 127,782,000 | | 127,782,000 | |
| 1999—Mar 26 | 5.934 | Mar 26/96 | 005 | 1,419,800 | | 1,419,800 | |
| | | | | 1,076,208,400 | | 1,076,208,400 | |
| Maturing 1999-2000 | | | | | | | |
| 1999—Jul 15 | 6.677 | July 12/96-July 15/96 | 053 & 054 | 212,970,000 | 13,335,000 | | 226,305,000 |
| Sept 23 | 6.250 | Sept 23/96 | 057 | 28,396,000 | 1,778,000 | | 30,174,000 |
| 2000—Jan 31 | 6.17 | Jan 31/97 | 060 | 7,099,000 | 444,500 | | 7,543,500 |
| | | | | 248,465,000 | 15,557,500 | | 264,022,500 |
| Maturing 2000-01 | | | | | | | |
| 2000—Oct 23 | 6.029 | Oct 23/97 | 063 | 35,495,000 | 2,222,500 | | 37,717,500 |
| 2001—Mar 27 | 6.188 | Mar 27/96 | 011 | 7,099,000 | 444,500 | | 7,543,500 |
| | | | | 42,594,000 | 2,667,000 | | 45,261,000 |
| Maturing 2001-02 | | | | | | | |
| 2001—Apr 4 | 6.280 | Apr 4/96 | 024 | 70,990,000 | 4,445,000 | | 75,435,000 |
| Apr 25 | 6.496 | Apr 25/96 | 040 | 28,396,000 | 1,778,000 | | 30,174,000 |
| May 7 | 6.542 | May 6/96 | 041 | 56,792,000 | 3,556,000 | | 60,348,000 |
| 2002—Feb 5 | 6.379 | Feb 5/97 | 061 | 141,980,000 | 8,890,000 | | 150,870,000 |
| | | | | 298,158,000 | 18,669,000 | | 316,827,000 |
| Maturing 2008-09 | | | | | | | |
| 2009—Mar 23 | 1.9 | Mar 23/99 | 065 | | 634,500,000 | | 634,500,000 |
| Total | | | | 1,665,425,400 | 671,393,500 | 1,076,208,400 | 1,260,610,500 |

⁽¹⁾ This column includes the translation in Canadian dollars of Canada notes payable in foreign currencies using closing rates of exchange at March 31.

Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program, and thus provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 1999.

Table 6.8 presents a summary of the balances and transactions for the Euro medium-term notes.

TABLE 6.8
EURO MEDIUM -TERM NOTES

| Maturity date | % | Issue date | April 1/1998 | Receipts and other credits ⁽¹⁾ | Payments and other charges | March 31/1999 |
|--------------------------------|--------|------------|---------------|---|----------------------------|---------------|
| | | | \$ | \$ | \$ | \$ |
| Payable in foreign currencies— | | | | | | |
| Maturing 1999-2000 | | | | | | |
| 1999—Aug 29 | 5.337 | Aug 27/98 | | 113,152,500 | | 113,152,500 |
| 1999—Sept 23 | 4.991 | Sept 23/98 | | 301,740,000 | | 301,740,000 |
| 2000—Feb 9 | 4.5325 | Feb 9/99 | | 38,944,657 | | 38,944,657 |
| | | | | 453,837,157 | | 453,837,157 |
| Maturing 2000-01 | | | | | | |
| 2000—Oct 2 | (2) | Feb 20/98 | 27,195,000 | 1,702,686 | | 28,897,686 |
| 2001—Jan 30 | 5.5 | July 30/97 | 567,920,000 | 35,560,000 | | 603,480,000 |
| | | | 595,115,000 | 37,262,686 | | 632,377,686 |
| Maturing 2001-02 | | | | | | |
| 2001—June 12 | 4.62 | June 12/98 | | 38,936,706 | | 38,936,706 |
| 2002—Jan 22 | 5.125 | Jan 22/99 | | 452,610,000 | | 452,610,000 |
| | | | | 491,546,706 | | 491,546,706 |
| Maturing 2003-04 | | | | | | |
| 2003—July 16 | 5.1875 | July 16/98 | | 98,065,500 | | 98,065,500 |
| | | | | 98,065,500 | | 98,065,500 |
| Maturing 2004-05 | | | | | | |
| 2004—Nov 26 | (2) | Mar 26/98 | 702,801,000 | 44,005,500 | | 746,806,500 |
| Nov 26 | 4.784 | Oct 30/98 | | 513,863,220 | | 513,863,220 |
| Nov 30 | 4.8113 | Mar 22/99 | | 132,650,939 | | 132,650,939 |
| Dec 22 | (2) | Dec 22/97 | 108,217,000 | 6,776,113 | | 114,993,113 |
| | | | 811,018,000 | 697,295,772 | | 1,508,313,772 |
| Maturing 2007-08 | | | | | | |
| 2007—Nov 19 | 4.71 | Nov 19/97 | 42,594,000 | 2,667,000 | | 45,261,000 |
| 2008—Jan 31 | (2) | July 30/97 | 62,299,000 | 3,901,247 | | 66,200,247 |
| | | | 104,893,000 | 6,568,247 | | 111,461,247 |
| Maturing 2009-10 | | | | | | |
| 2009—Apr 28 | 4.5 | Nov 12/98 | | 1,089,600,000 | 98,400,000 | 991,200,000 |
| Apr 28 | 4.5 | Mar 30/99 | | 634,315,510 | | 634,315,510 |
| | | | | 1,723,915,510 | 98,400,000 | 1,625,515,510 |
| Total..... | | | 1,511,026,000 | 3,508,491,578 | 98,400,000 | 4,921,117,578 |

⁽¹⁾ This column includes the translation in Canadian dollars of Euro notes payable in foreign currencies using closing rates of exchange at March 31.

⁽²⁾ The rate of interest is variable throughout the year.

Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 1994-95 to 1998-99 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as to marketable bonds, Treasury bills,

non-marketable bonds (include Canada savings bonds and the bonds for the Canada Pension Plan), Canada bills and Foreign currency notes.

TABLE 6.9

UNMATURED DEBT AS AT MARCH 31, FROM 1995 TO 1999, WITH THE AVERAGE RATE OF INTEREST THEREON

| | Marketable bonds | | Treasury bills | | Canada savings bonds | | Bonds for the Canada Pension Plan | | Canada bills | | Foreign currency notes | | Total unmatured debt | |
|------------|---------------------|-----------------------|---------------------|-----------------------|----------------------|-----------------------|-----------------------------------|-----------------------|---------------------|-----------------------|------------------------|-----------------------|----------------------|-----------------------|
| | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate | Amount out-standing | Average interest rate |
| | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % | \$(millions) | % |
| 1999 | 315,399 | 7.51 | 96,950 | 4.94 | 27,662 | 4.28 | 4,063 | 9.39 | 10,171 | 4.81 | 6,182 | 4.70 | 460,427 | 6.70 |
| 1998 | 309,234 | 7.75 | 112,300 | 4.41 | 29,769 | 3.61 | 3,456 | 10.22 | 9,356 | 5.49 | 3,176 | 5.87 | 467,291 | 6.64 |
| 1997 | 294,957 | 8.01 | 135,400 | 3.68 | 32,470 | 6.75 | 3,468 | 10.21 | 8,436 | 5.37 | 2,121 | 6.12 | 476,852 | 6.66 |
| 1996 | 262,214 | 8.39 | 166,100 | 5.89 | 30,460 | 6.58 | 3,478 | 10.21 | 6,985 | 5.20 | 310 | 5.64 | 469,547 | 7.34 |
| 1995 | 233,554 | 8.58 | 164,450 | 7.60 | 30,460 | 5.75 | 3,488 | 10.21 | 9,046 | 6.16 | | | 440,998 | 7.97 |

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1994-95 to 1998-99 inclusively.

TABLE 6.10

TREASURY BILLS AVERAGE YIELDS AT TENDER

| | High | Low | Last issue |
|--------------------|------|------|------------|
| Year ended | | | |
| March 31 | % | % | % |
| Three-month bills— | | | |
| 1999 | 5.64 | 4.55 | 4.89 |
| 1998 | 4.65 | 4.17 | 4.58 |
| 1997 | 3.19 | 2.80 | 3.19 |
| 1996 | 5.02 | 8.29 | 5.02 |
| 1995 | 8.35 | 5.29 | 8.22 |
| Six-month bills— | | | |
| 1999 | 5.81 | 4.70 | 4.98 |
| 1998 | 4.94 | 3.69 | 4.75 |
| 1997 | 3.71 | 2.87 | 3.48 |
| 1996 | 4.98 | 8.36 | 5.24 |
| 1995 | 8.54 | 5.59 | 8.28 |
| Other bills— | | | |
| 1999 | 5.83 | 4.62 | 4.97 |
| 1998 | 5.20 | 3.60 | 4.96 |
| 1997 | 5.60 | 2.21 | 3.92 |
| 1996 | 5.08 | 8.30 | 5.58 |
| 1995 | 8.96 | 4.84 | 8.27 |

Maturity of Government Debt

Table 6.11 presents total unmatured debt arranged in order of maturity.

TABLE 6.11

MATURITY OF GOVERNMENT DEBT

| | Marketable bonds | | Treasury bills | | Canada savings bonds | | Bonds for the Canada Pension Plan | | Canada bills | | Foreign currency notes | | Total unmatured debt | |
|---|-----------------------|-------|-----------------------|------|-----------------------|------|-----------------------------------|-------|-----------------------|------|------------------------|------|-----------------------|-------|
| | Average interest rate | | Average interest rate | | Average interest rate | | Average interest rate | | Average interest rate | | Average interest rate | | Average interest rate | |
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| | \$(millions) | | \$(millions) | | \$(millions) | | \$(millions) | | \$(millions) | | \$(millions) | | \$(million) | |
| 2000 | 44,903 | 6.83 | 96,950 | 4.94 | | | 636 | 4.96 | 10,171 | 4.81 | 718 | 5.62 | 153,378 | 5.49 |
| 2001 | 36,213 | 7.85 | | | | | 23 | 12.98 | | | 678 | 5.51 | 36,914 | 7.81 |
| 2002 | 29,629 | 7.56 | | | 2,132 | 4.25 | 18 | 15.43 | | | 808 | 5.60 | 32,587 | 7.30 |
| 2003 | 26,092 | 7.44 | | | 1,935 | 4.25 | 18 | 14.67 | | | | | 28,045 | 7.23 |
| 2004 | 28,030 | 6.90 | | | 2,762 | 4.25 | 17 | 11.60 | | | 98 | 5.19 | 30,907 | 6.66 |
| 2005/09 .. | 77,901 | 7.75 | | | 21,388 | 4.29 | 2,828 | 9.98 | | | 2,254 | 3.97 | 104,371 | 7.02 |
| 2010/14 .. | 18,397 | 8.18 | | | | | 523 | 11.03 | | | 1,626 | 4.50 | 20,546 | 7.96 |
| 2015/19 .. | 2,350 | 11.25 | | | | | | | | | | | 2,350 | 11.25 |
| 2020/24 .. | 22,971 | 7.75 | | | | | | | | | | | 22,971 | 7.75 |
| 2025/29 .. | 24,030 | 7.51 | | | | | | | | | | | 24,030 | 7.51 |
| 2030/32 .. | 4,905 | 5.61 | | | | | | | | | | | 4,905 | 5.61 |
| | 315,421 | 7.51 | 96,950 | 4.94 | 28,217 | 4.28 | 4,063 | 9.39 | 10,171 | 4.81 | 6,182 | 4.70 | 461,004 | 6.69 |
| Less: Gov- ernment's hold- ings..... | 22 | 9.42 | | | 555 | 4.00 | | | | | | | 577 | 4.21 |
| | 315,399 | 7.51 | 96,950 | 4.94 | 27,662 | 4.28 | 4,063 | 9.39 | 10,171 | 4.81 | 6,182 | 4.70 | 460,427 | 6.70 |

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.12 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise

Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

TABLE 6.12

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

| | April 1/1998 | Issues/ Borrowings | Retirements | March 31/1999 |
|---|--------------|-----------------------|-------------|---------------|
| Unmatured debt of the Government of Canada ⁽¹⁾ | 467,292 | 297,102 | 303,967 | 460,427 |
| Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾ | 34,279 | 120,406 | 114,986 | 39,699 |
| Total | 501,571 | 417,508 | 418,953 | 500,126 |

⁽¹⁾ Details can be found in this section.

⁽²⁾ Details can be found in Section 9 (Table 9.6) of this volume.

PENSION AND OTHER ACCOUNTS

Pension and other accounts are specified purpose accounts which represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. Allowance accounts are used to record: (a) the accumulated amortization of any shortfall or excess between the liability for public sector pensions as determined on an actuarial basis for accounting purposes, and the balances of the superannuation accounts, and (b) since April 1, 1997, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations.

The Government sponsors defined benefit pension plans for substantially all its full-time employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but separate market invested funds are not maintained.

i. Pension plans

Employee pension plans

Basic pensions for the three major employees plans were, up to June 1999, generally based on the best six consecutive years' average earnings and accrued at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. For employees terminating their service on, or after June 17, 1999, basic pensions are now based on the best five consecutive year's average earnings. Basic pensions are indexed annually (on January 1) to the cost of living.

Employee contributions for these benefits are 7.5 percent of pay, less contributions to the Canada or Quebec Pension Plan. Employer contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 1998-99, the employer contribution rates averaged about 2.2, 3.2 and 2.7 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

On June 17, 1999, the formula to calculate the pension benefits under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* was amended through the *Budget Implementation Act, 1999*. The amendments have improved pension entitlements by:

- (a) calculating pension benefits using the average of the best five consecutive years of earnings rather than the best six consecutive years;
- (b) calculating the annual Canada Pension Plan/Quebec Pension Plan integrated reduction by using an average of earnings over the last five years of pensionable service instead of the last three years; and,
- (c) modifying the integration formula for pensioners who were under age 65 on June 17, 1999.

The one-time cost of providing these benefits to existing contributors and pensioners is estimated at \$1,168 million and is charged to the current year pension expenditure.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions, including the *Special Retirement Arrangements Act* (SRAA), to allow various federal service superannuation plans to adapt to the tax restrictions. These include a retirement compensation arrangement established under the SRAA to record transactions for those pension benefits above the limits allowed under the *Income Tax Act*.

Contributions are credited to the superannuation accounts. The accounts earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 9.6 percent for 1999 and 9.9 percent for 1998.

Members of Parliament retiring allowances

Members of Parliament are eligible to receive a basic pension upon termination of membership and after having reached age 55 and contributed to the plan for at least six years. The basic allowance is based on the best six year average sessional indemnity and is accrued at a rate of 4 percent and 3 percent of these average indemnities for Members of the House of Commons and for Senators, respectively. Basic allowances are indexed annually (on January 1) to the cost of living once recipients reach age 60.

Members' contributions for these benefits are 9 percent for Members of the House of Commons and 7 percent for Senators. The Government contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

| | 1999 | 1998 |
|--|------|------|
| Members of Parliament | | |
| House of Commons | | |
| Retiring allowances account | 2.51 | 2.18 |
| Retiring compensation arrangements | 5.94 | 5.40 |
| The Senate | | |
| Retirement allowances account | 1.61 | 1.40 |
| Retirement compensation arrangements | 2.80 | 2.65 |

Contributions are credited to the appropriate superannuation accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

Pension plan for federally appointed judges

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead, up to November 1998, the full benefit amount was generally payable when the member reached age 65 and had completed 15 years of pensionable service. In 1998-99, the *Judges Act* was amended by Bill C-37, which received Royal Assent on November 18, 1998. With this amendment, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80. The one-time cost of providing this early retirement provision to existing contributors is estimated at \$27 million and is charged to the current year pension expenditure.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this pension plan. Benefits are included in the Statement of Revenues and Expenditures as a component of other transfer payments. During the year, the benefit payments charged to expenditures amounted to \$46 million.

ii. Actuarial valuations

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially on the five major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 1996;

Canadian Forces—March 31, 1997;

Royal Canadian Mounted Police—March 31, 1996;

Federally appointed judges—March 31, 1998;

Members of Parliament—March 31, 1998.

As at March 31, 1999, the actuarial valuation report for the Members of Parliament pension plan was not yet tabled before Parliament.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be divided into equal instalments and credited to the appropriate account over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. In the current year, no credits were required to the accounts as a result of actuarial deficits.

Table 6.13 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the superannuation accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments and interest. Payments and other charges for the superannuation accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division payments, transfer value payments, transfers to other plans, and remittances of refundable tax. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes and from the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

TABLE 6.13
PUBLIC SECTOR PENSIONS

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|------------------------|-------------------------------|-------------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Public Service Superannuation Account, | | | | |
| Table 6.15 | 74,808,721,953 | 9,327,389,283 | 3,861,567,556 | 80,274,543,680 |
| Allowance for pension adjustments | (4,383,000,000) | 742,000,000 | 2,485,000,000 | (6,126,000,000) |
| | 70,425,721,953 | 10,069,389,283 | 6,346,567,556 | 74,148,543,680 |
| Canadian Forces Superannuation Account, | | | | |
| Table 6.16 | 42,486,678,488 | 4,587,569,226 | 1,751,888,900 | 45,322,358,814 |
| Allowance for pension adjustments | (5,882,000,000) | 329,000,000 | 2,300,000,000 | (7,853,000,000) |
| | 36,604,678,488 | 4,916,569,226 | 4,051,888,900 | 37,469,358,814 |
| Royal Canadian Mounted Police Superannuation Account, | | | | |
| Table 6.17 | 9,032,032,313 | 1,060,289,336 | 239,716,205 | 9,852,605,444 |
| Allowance for pension adjustments | (978,000,000) | 82,000,000 | 385,000,000 | (1,281,000,000) |
| | 8,054,032,313 | 1,142,289,336 | 624,716,205 | 8,571,605,444 |
| Members of Parliament Retiring Allowances Account, | | | | |
| Table 6.18 | 270,924,617 | 30,964,111 | 15,885,368 | 286,003,360 |
| Allowance for pension adjustments | 19,000,000 | | 22,000,000 | (3,000,000) |
| | 289,924,617 | 30,964,111 | 37,885,368 | 283,003,360 |
| Members of Parliament Retirement Compensation | | | | |
| Arrangements Account, Table 6.19 | 33,919,541 | 11,939,047 | 6,191,532 | 39,667,056 |
| Allowance for pension adjustments | (4,000,000) | | 2,000,000 | (6,000,000) |
| | 29,919,541 | 11,939,047 | 8,191,532 | 33,667,056 |
| Retirement Compensation Arrangements | | | | |
| (RCA) Account, Table 6.20 | 679,214,243 | 367,745,709 | 265,405,466 | 781,554,486 |
| Allowance for pension adjustments | 1,386,214,243 | 382,745,709 | 649,405,466 | 1,119,554,486 |
| Supplementary Retirement Benefits Account, | | | | |
| Table 6.21 | 63,859,366 | 6,909,009 | 45,424 | 70,722,951 |
| Allowance for pension adjustments | 602,000,000 | 109,000,000 | | 711,000,000 |
| | 665,859,366 | 115,909,009 | 45,424 | 781,722,951 |
| Total | 117,456,350,521 | 16,669,805,721 | 11,718,700,451 | 122,407,455,791 |
| SUMMARY— | | | | |
| Superannuation accounts | 127,375,350,521 | 15,392,805,721 | 6,140,700,451 | 136,627,455,791 |
| Allowance for pension adjustments | (9,919,000,000) | 1,277,000,000 | 5,578,000,000 | (14,220,000,000) |
| Total | 117,456,350,521 | 16,669,805,721 | 11,718,700,451 | 122,407,455,791 |

Table 6.14 presents a summary of transactions in public sector pensions that resulted in charges to expenditures. Effective April 1, 1997, interest is based on the actuarial obligations under the various plans. The interest credited to the superannuation accounts in accordance with the pension legislation is shown net of an allowance of \$2,692 million (\$2,689 million in 1998).

TABLE 6.14
SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES
(in millions of dollars)

| | 1998-99 | | | | | | | | | |
|---|-----------------------------|-----------------|---|---------------------------------------|---|---|-------------------------|--|--------|---------|
| | Statutory payments under | | | Pension plan amendment costs | Public service restructuring costs | Amortization of estimation adjustments | Net pension costs | Net interest charged to public debt charges | Total | 1997-98 |
| | Government contributions | Various acts | Supplementary Retirement Benefits Act | | | | | | | |
| Public Service Superan- nation Account | 1,339 | | | 742 | (68) | (1,114) | 899 | 5,828 | 6,727 | 5,423 |
| Canadian Forces Superan- nation Account | 396 | | | 329 | | (1,053) | (328) | 2,803 | 2,475 | 1,956 |
| Defence Services Pension Continuation Act | | 3 | 13 | | | | 16 | | 16 | 16 |
| Royal Canadian Mounted Police Superannuation Account | 140 | | | 82 | | (160) | 62 | 642 | 704 | 557 |
| Royal Canadian Mounted Police Continuation Act | | 8 | 19 | | | | 27 | | 27 | 33 |
| Members of Parliament Retiring Allowances Account | 2 | | | | | (18) | (16) | 24 | 8 | 18 |
| Members of Parliament Retirement Compensation Arrangements Account | 7 | | | | | (1) | 6 | 3 | 9 | 6 |
| Retirement Compensation Arrangements (RCA) Account | 274 | | | 15 | (154) | (5) | 130 | 93 | 223 | 1,070 |
| Supplementary Retirement Benefits Account | 2 | | | 27 | | 10 | 39 | 75 | 114 | 79 |
| Judges Act | | 46 | | | | | 46 | | 46 | 44 |
| Other (diplomatic services, lieutenant governors, etc.) | | 1 | | | | | 1 | | 1 | 1 |
| Subtotal | 2,160 | 58 | 32 | 1,195 | (222) | (2,341) | 882 | 9,468 | 10,350 | 9,203 |
| Less: costs already recorded in the allowance for pension adjustments of previous year | (241) | | | | | | (241) | | (241) | (393) |
| Total | 1,919 | 58 | 32 | 1,195 | (222) | (2,341) | 641 | 9,468 | 10,109 | 8,810 |

Public Service Superannuation Account

This account is operated under the *Public Service Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 1998-99 or 1997-98.

TABLE 6.15
PUBLIC SERVICE SUPERANNUATION ACCOUNT

| | 1998-99 | 1997-98 |
|--|----------------|----------------|
| | \$ | \$ |
| Opening balance..... | 74,808,721,953 | 70,313,703,283 |
| RECEIPTS AND OTHER CREDITS— | | |
| Contributions— | | |
| Government employees | 491,570,441 | 473,160,411 |
| Retired employees | 51,516,681 | 44,735,026 |
| Public Service corporation employees | 149,195,226 | 151,169,456 |
| Employer contributions— | | |
| Government | 1,339,433,597 | 1,050,141,087 |
| Public Service corporations | 152,035,537 | 146,380,221 |
| Transfers from other pension funds | 12,551,787 | 11,823,854 |
| Interest | 7,131,086,014 | 6,889,624,022 |
| | 9,327,389,283 | 8,767,034,077 |
| | 84,136,111,236 | 79,080,737,360 |
| PAYMENTS AND OTHER CHARGES— | | |
| Annuities | 3,171,053,453 | 3,021,564,883 |
| Cash termination allowances | 65,604 | 26,633 |
| Minimum benefits | 12,761,035 | 12,602,996 |
| Pension division payments | 32,056,707 | 32,394,713 |
| Pension—Transfer value payments | 550,202,193 | 191,899,574 |
| Returns of contributions— | | |
| Government employees | 16,929,470 | 33,080,060 |
| Public Service corporation employees | 7,740,595 | 12,520,000 |
| Transfers to other pension funds | 70,758,499 | 967,926,548 |
| | 3,861,567,556 | 4,272,015,407 |
| Closing balance | 80,274,543,680 | 74,808,721,953 |

Canadian Forces Superannuation Account

This account is operated under the *Canadian Forces Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 1998-99 or 1997-98.

TABLE 6.16
CANADIAN FORCES SUPERANNUATION ACCOUNT

| | 1998-99 | 1997-98 |
|--|----------------|----------------|
| | \$ | \$ |
| Opening balance | 42,486,678,488 | 39,746,849,655 |
| RECEIPTS AND OTHER CREDITS— | | |
| Contributions from personnel | 136,672,152 | 138,825,398 |
| Contributions by the Government | 396,037,389 | 402,644,956 |
| Interest | 4,049,739,362 | 3,907,770,726 |
| Other | 5,120,323 | 5,540,358 |
| | 4,587,569,226 | 4,454,781,438 |
| | 47,074,247,714 | 44,201,631,093 |
| PAYMENTS AND OTHER CHARGES— | | |
| Pensions and retiring allowance payments | 1,725,029,690 | 1,642,704,202 |
| Pension division payments | 23,089,941 | 40,456,721 |
| Cash termination allowances and returns of contributions | 3,512,551 | 31,084,224 |
| Transfers to Public Service Superannuation Account | 256,718 | 707,458 |
| | 1,751,888,900 | 1,714,952,605 |
| Closing balance | 45,322,358,814 | 42,486,678,488 |

Royal Canadian Mounted Police Superannuation Account

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 1998-99 or 1997-98.

TABLE 6.17

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

| | 1998-99 | 1997-98 |
|--|----------------|---------------|
| | \$ | \$ |
| Opening balance | 9,032,032,313 | 8,260,502,596 |
| RECEIPTS AND OTHER CREDITS— | | |
| Contributions from personnel (current and arrears) | 52,904,532 | 53,507,238 |
| Transfers from other pension funds | 167,832 | 621,013 |
| Contributions by the Government | 140,495,680 | 125,678,662 |
| Interest | 866,721,292 | 819,125,343 |
| | 1,060,289,336 | 998,932,256 |
| | 10,092,321,649 | 9,259,434,852 |
| PAYMENTS AND OTHER CHARGES— | | |
| Annuities and allowance payments | 225,712,499 | 216,057,280 |
| Pension division payments | 11,522,576 | 8,170,310 |
| Return of contributions | 1,826,251 | 1,601,087 |
| Cash termination allowance and gratuities | 24,567 | 249,834 |
| Transfers to other pension funds | 265,616 | 1,002,705 |
| Interest on returns of contributions | 364,696 | 321,323 |
| | 239,716,205 | 227,402,539 |
| Closing balance | 9,852,605,444 | 9,032,032,313 |

Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.18

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

| | 1998-99 | 1997-98 |
|--|-------------|-------------|
| | \$ | \$ |
| Opening balance | 270,924,617 | 258,105,826 |
| RECEIPTS AND OTHER CREDITS— | | |
| Members' contributions— | | |
| Current | 971,713 | 848,013 |
| Arrears of principal, interest and mortality insurance | 110,231 | 93,047 |
| Government contributions— | | |
| Current | 2,261,589 | 1,707,658 |
| Interest | 27,620,578 | 26,262,499 |
| | 30,964,111 | 28,911,217 |
| | 301,888,728 | 287,017,043 |
| PAYMENTS AND OTHER CHARGES— | | |
| Annual allowances | 15,211,454 | 15,251,902 |
| Withdrawal allowances | 15,897 | 417,913 |
| Interest on withdrawals | 1,116 | 16,482 |
| Pension division payments | 656,901 | 406,129 |
| | 15,885,368 | 16,092,426 |
| Closing balance | 286,003,360 | 270,924,617 |

Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

TABLE 6.19

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

| | 1998-99 | 1997-98 |
|---------------------------------|------------|------------|
| | \$ | \$ |
| Opening balance | 33,919,541 | 29,758,940 |
| RECEIPTS AND OTHER CREDITS— | | |
| Members' contributions— | | |
| Current | 1,353,367 | 1,147,880 |
| Government contributions— | | |
| Current | 6,816,386 | 5,410,244 |
| Interest | 3,769,294 | 3,257,976 |
| | 11,939,047 | 9,816,100 |
| | 45,858,588 | 39,575,040 |
| PAYMENTS AND OTHER CHARGES— | | |
| Annual allowances | 976,109 | 954,739 |
| Refundable tax remitted to | | |
| Revenue Canada | 5,101,490 | 3,982,375 |
| Withdrawals | 76,253 | 679,330 |
| Pension division payments | 37,680 | 39,055 |
| | 6,191,532 | 5,655,499 |
| Closing balance | 39,667,056 | 33,919,541 |

Retirement Compensation Arrangements (RCA) Account

The RCA No.1 was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements. RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 was established by the Retirement Compensation Arrangement regulations. These regulations established a 3 year program ending on March 31, 1998 for Public Service employees who were declared surplus as part of the Government's downsizing initiative, who were between age 50 and 54 and who met other conditions specified in the regulations. RCA No.2 pays the difference between a pension unreduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

TABLE 6.20

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

| | RCA No.1 | | | | | | RCA No.2 | | | |
|---|----------------|------------|-----------------|-----------|-------------------------------|---------|----------------|-------------|---------------|-------------|
| | Public Service | | Canadian Forces | | Royal Canadian Mounted Police | | Public Service | | Total | |
| | 1998-99 | 1997-98 | 1998-99 | 1997-98 | 1998-99 | 1997-98 | 1998-99 | 1997-98 | 1998-99 | 1997-98 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance..... | 47,410,159 | 26,946,719 | 5,214,434 | 3,252,777 | 372,885 | 363,168 | 626,216,765 | 433,378,071 | 679,214,243 | 463,940,735 |
| RECEIPTS AND OTHER CREDITS— | | | | | | | | | | |
| Contributions— | | | | | | | | | | |
| Government employees..... | 2,721,303 | 1,657,313 | 197,166 | 90,390 | 52,526 | 15,722 | | | 2,970,995 | 1,763,425 |
| Public Service corporation employees..... | 994,943 | 964,852 | | | | | | | 994,943 | 964,852 |
| Employer contributions— | | | | | | | | | | |
| Government..... | 29,872,255 | 20,073,090 | 2,294,089 | 1,654,236 | 789,464 | 270,533 | 241,437,024 | 392,706,598 | 274,392,832 | 414,704,457 |
| Public Service corporations..... | 12,193,086 | 12,973,492 | | | | | | | 12,193,086 | 12,973,492 |
| Interest..... | 6,107,386 | 3,824,594 | 140,675 | 384,813 | 70,481 | 39,714 | 70,875,311 | 52,286,430 | 77,193,853 | 56,535,551 |
| | 51,888,973 | 39,493,341 | 2,631,930 | 2,129,439 | 912,471 | 325,969 | 312,312,335 | 444,993,028 | 367,745,709 | 486,941,777 |
| | 99,299,132 | 66,440,060 | 7,846,364 | 5,382,216 | 1,285,356 | 689,137 | 938,529,100 | 878,371,099 | 1,046,959,952 | 950,882,512 |
| PAYMENTS AND OTHER CHARGES— | | | | | | | | | | |
| Annuities..... | 352,222 | 205,479 | 235,126 | 167,782 | 1,773 | 964 | 67,808,864 | 47,158,696 | 68,397,985 | 47,532,921 |
| Pension division..... | 883,363 | 1,125,230 | 29,702 | | | | | | 913,065 | 1,125,230 |
| Returns of contributions— | | | | | | | | | | |
| Government..... | 3,213 | 5,794 | | | | | | | 3,213 | 5,794 |
| Public Service corporation employees..... | 57,389 | 15,086 | | | | | | | 57,389 | 15,086 |
| Refundable tax..... | 24,607,837 | 17,678,312 | 3,672,886 | | 428,110 | 315,288 | 167,324,981 | 204,995,638 | 196,033,814 | 222,989,238 |
| | 25,904,024 | 19,029,901 | 3,937,714 | 167,782 | 429,883 | 316,252 | 235,133,845 | 252,154,334 | 265,405,466 | 271,668,269 |
| Closing balance..... | 73,395,108 | 47,410,159 | 3,908,650 | 5,214,434 | 855,473 | 372,885 | 703,395,255 | 626,216,765 | 781,554,486 | 679,214,243 |

Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

TABLE 6.21

SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

| | Royal Canadian Mounted Police | | Parliament | | Others ⁽¹⁾ | | Total | |
|------------------------------|-------------------------------|-----------|------------|---------|-----------------------|------------|------------|------------|
| | 1998-99 | 1997-98 | 1998-99 | 1997-98 | 1998-99 | 1997-98 | 1998-99 | 1997-98 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance..... | 9,169,170 | 3,907,833 | 95,074 | 105,719 | 54,595,122 | 49,561,238 | 63,859,366 | 53,574,790 |
| RECEIPTS AND OTHER CREDITS— | | | | | | | | |
| Employee contributions— | | | | | | | | |
| Government | | | | 143 | 1,703,343 | 1,451,168 | 1,703,343 | 1,451,311 |
| Matching contributions— | | | | | | | | |
| Government | | 5,261,337 | | 143 | 1,703,759 | 1,451,168 | 1,703,759 | 6,712,648 |
| Interest | | | 4,764 | 5,400 | 3,497,143 | 2,181,139 | 3,501,907 | 2,186,539 |
| | | 5,261,337 | 4,764 | 5,686 | 6,904,245 | 5,083,475 | 6,909,009 | 10,350,498 |
| | 9,169,170 | 9,169,170 | 99,838 | 111,405 | 61,499,367 | 54,644,713 | 70,768,375 | 63,925,288 |
| PAYMENTS AND OTHER CHARGES— | | | | | | | | |
| Annuities | | | | 11,318 | 45,424 | 42,841 | 45,424 | 54,159 |
| Return of contributions..... | | | | 5,013 | | 6,750 | | 11,763 |
| | | | | 16,331 | 45,424 | 49,591 | 45,424 | 65,922 |
| Closing balance | 9,169,170 | 9,169,170 | 99,838 | 95,074 | 61,453,943 | 54,595,122 | 70,722,951 | 63,859,366 |

(1) Includes all federally appointed judges, lieutenant governors and non-career diplomats.

Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations. Since April 1, 1997, it also records the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

Estimation adjustments of \$2,341 million (\$2,440 million in 1998) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year. An amount of \$241 million (\$393 million in 1998) was recorded in this account to offset pension costs charged to expenditures in previous years but recorded in the superannuation accounts in 1999. To adjust the pension liabilities related to public sector restructuring, \$222 million was recorded to this account and credited to pension expenditures, while in 1998, \$525 million was recorded in this account and charged to pension expenditures. An amount of \$1,195 million was credited to this account and charged to expenditures to reflect pension plan amendments made during the year. As well, an amount of \$2,692 million (\$2,689 million in 1998) was recorded in this account as a reduction of interest expenditures to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

The unamortized estimation adjustment of \$12,743 million (\$16,554 million in 1998) will be amortized to this account and will reduce expenditures in future years.

As a result of annual actuarial valuations for accounting purposes, the liability for public sector pensions adjusted for cumulative refundable tax remitted to Revenue Canada was found to be \$27,755 million lower than the balance of the superannuation accounts. This amount is made of:

- an excess of \$13,321 million related to the Public Service pension plan;
- an excess of \$13,069 million related to the Canadian Forces pension plan;
- an excess of \$2,490 million related to the Royal Canadian Mounted Police pension plan;
- an excess of \$51 million related to the Members of Parliament retiring allowances;
- a shortfall of \$895 million related to the federally appointed judges pension plan; and,
- a shortfall of \$281 million related to the Retirement Compensation Arrangements plan.

Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

The Plan was initially designed to be financed on a pay-as-you-go basis, which means that pensions and benefits are paid out of current contributions. With changes made in 1997-98, the Plan is now intended to be funded on a steady-state basis—that is, combined contributions are planned to increase to 9.9 percent of pensionable earnings by 2003 and are then expected to level off.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend, is limited to the balance of the Plan of \$36,891 million (\$36,664 million in 1998).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in securities of provinces, territories and Canada.

The legislation establishing the Board came into force on April 1, 1998. The purpose of the Board is to help the Plan achieve its steady-state funding by investing in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

Table 6.22 presents a summary of the balances and transactions in the Plan less investment in securities of the federal, provincial and territorial governments held by the Fund and transfers to the Board.

TABLE 6.22
CANADA PENSION PLAN ACCOUNT

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|----------------|-------------------------------|-------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Canada Pension Plan, Table 6.23 | 36,664,418,706 | 18,725,522,654 | 18,499,237,449 | 36,890,703,911 |
| Less: securities held by the Canada Pension Plan Investment Fund — | | | | |
| Canada | 3,456,232,000 | 12,015,000 | | 3,444,217,000 |
| Newfoundland | 673,239,000 | 36,622,000 | 1,827,000 | 638,444,000 |
| Nova Scotia | 1,214,151,000 | 68,176,000 | 27,102,000 | 1,173,077,000 |
| Prince Edward Island | 148,627,000 | 7,537,000 | 376,000 | 141,466,000 |
| New Brunswick | 895,337,000 | 53,269,000 | | 842,068,000 |
| Quebec | 103,624,000 | 7,324,000 | 350,000 | 96,650,000 |
| Ontario | 14,105,811,000 | 915,916,000 | 45,270,000 | 13,235,165,000 |
| Manitoba | 1,697,911,000 | 99,309,000 | | 1,598,602,000 |
| Saskatchewan | 1,452,844,000 | 76,002,000 | | 1,376,842,000 |
| Alberta | 4,172,102,000 | 176,645,000 | | 3,995,457,000 |
| British Columbia | 4,535,320,000 | 260,506,000 | 12,933,000 | 4,287,747,000 |
| Yukon Territory | 3,726,000 | | | 3,726,000 |
| | 32,458,924,000 | 1,713,321,000 | 87,858,000 | 30,833,461,000 |
| Less: securities held by the Canada Pension Plan Investment Board | | | 11,942,000 | 11,942,000 |
| Less: short-term investments in Canada bonds | | 2,901,597,000 | 3,520,147,000 | 618,550,000 |
| | 32,458,924,000 | 4,614,918,000 | 3,619,947,000 | 31,463,953,000 |
| Operating balance—Deposit with the Receiver General for Canada | 4,205,494,706 | 23,340,440,654 | 22,119,184,449 | 5,426,750,911 |

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 6.4 percent and 7.0 percent of pensionable earnings for the 1998 and 1999 calendar years, subject to maximum combined contributions of \$2,138 and \$2,373 respectively;
- (b) income from investments in securities held by the Fund, from short-term investments in Canada bonds, from the average daily operating balance deposited with the Receiver General for Canada, and from investments made by the Board; and,
- (c) funds received from the federal, provincial and territorial governments for the securities which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;
- (b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan;
- (e) funds reinvested during the year in the securities of the provincial governments;
- (f) funds invested during the year in short-term investments in Canada bonds; and,
- (g) funds transferred to the Board.

Until 1997-98, cash on hand in excess of the three-month operating requirement was invested entirely in provincial, territorial and federal government bonds. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Starting in 1998-99, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the Board. The Board is mandated to invest these funds in a manner to increase the long-term value of the Canada Pension Plan's assets through prudent participation in capital markets.

In 1999, \$87,858,000 was reinvested in the securities of provincial governments, and \$11,942,000 was transferred to the Board.

Certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec, contribute to the Plan. The securities of Quebec which are purchased by the Plan relate to the contributions of these employees.

TABLE 6.23
CANADA PENSION PLAN
(in millions of dollars)

| | 1998-99 | 1997-98 |
|---|---------|---------|
| RECEIPTS AND OTHER CREDITS— | | |
| Contributions— | | |
| Employees, employers and self-employed | 14,800 | 12,790 |
| Investment income | 3,665 | 3,792 |
| Interest on average daily balance | 261 | 158 |
| | 18,726 | 16,740 |
| PAYMENTS AND OTHER CHARGES— | | |
| Pensions and benefits | 18,195 | 17,537 |
| Administration | 304 | 298 |
| | 18,499 | 17,835 |
| Net increase (decrease) | 227 | (1,095) |
| Funds applied— | | |
| Reinvestments in bonds— | | |
| Provincial and territorial | 87 | |
| Increase in deposits with the Receiver General for Canada | 1,222 | 487 |
| Short-term investments in Canada bonds | 619 | |
| Transfer to Canada Pension Plan Investment Board | 12 | |
| | 1,940 | 487 |
| Less: funds provided— | | |
| Disposals of bonds— | | |
| Provincial and territorial | 1,701 | 1,571 |
| Federal | 12 | 11 |
| | 1,713 | 1,582 |
| Net increase (decrease) | 227 | (1,095) |
| Balance at beginning of year | 36,664 | 37,759 |
| Balance at end of year | 36,891 | 36,664 |

Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 1999, over 101,800 annuitants held 111,693 active contracts, each annuitant receiving an average payment of \$658.67. During the year, 1,378 deferred annuities came into payment and another 436 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 1999, there were 9,372 outstanding deferred annuities, the last of which will come into payment around the year 2020.

During the 1998-99 fiscal year, 6,460 annuities were terminated or adjusted as a result of annuitant deaths: 4,220 group certificates and 2,240 individual contracts. The average age at death for males was 81.5 while the female age at death averaged 86.2. Eighty-five annuitants reached age 100 for a total of 148 centenarians as of March 31, 1999. The two oldest annuitants, females, are 108 years old.

Total income amounted to \$40.9 million, \$40.7 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$97,961. Total disbursements of \$76 million originated mainly from the \$75 million in payments made under matured annuities. An amount of \$408,600 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$563,900 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$628.3 million was reduced due to a surplus as at April 1, 1998 of \$4.6 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$35 million during 1998-99. Since the actuarial reserves required as of March 31, 1999 were only \$585.4 million, a surplus of \$3 million was also transferred to the Consolidated Revenue Fund.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island.

The second subsidy payment of \$46 million was made on April 1, 1998. These subsidy payments will continue for a period of 34 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has a recorded liability of \$799 million, offset by deferred subsidies of \$780 million which are recorded in an account under other loans, investments and advances in Section 9 of this volume. These deferred subsidies will be amortized to expenditures over the 34-year period ending on April 30, 2032. The amortization in 1998-99 was \$24 million.

Pilot Training Program—MILIT-AIR Inc.

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million 5.75 percent semi-annual secured bonds issued in May 1998 by MILIT-AIR Inc. to finance the acquisition of assets for the Program.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$703 million, offset by deferred payments. These deferred payments will be amortized over the 18-year period ending on June 30, 2019.

Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.24 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.24
DEPOSIT AND TRUST ACCOUNTS

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Deposit accounts— | | | | |
| Agriculture and Agri-Food— | | | | |
| Canadian Dairy Commission account | 10,311,099 | 430,759,896 | 448,781,832 | (7,710,837) |
| Guarantee deposits—Board of Arbitration and Review Tribunal | 2,863 | 800 | 2,854 | 809 |
| | 10,313,962 | 430,760,696 | 448,784,686 | (7,710,028) |
| Citizenship and Immigration— | | | | |
| General security deposits | 251,877 | 5,156 | 10,117 | 246,916 |
| Immigration guarantee fund | 16,610,422 | 7,623,274 | 6,460,341 | 17,773,355 |
| | 16,862,299 | 7,628,430 | 6,470,458 | 18,020,271 |
| Finance— | | | | |
| Canada Development Investment Corpora- tion— | | | | |
| Holdback—Privatization | 96,000,000 | | 10,000,000 | 86,000,000 |
| Crown corporations' surplus moneys— | | | | |
| St Lawrence Seaway Authority, The | 13,000,000 | | 5,000,000 | 8,000,000 |
| Petro-Canada Limited—Cash reserve | 2,993,283 | 180,686 | 71,275 | 3,102,694 |
| | 111,993,283 | 180,686 | 15,071,275 | 97,102,694 |
| Human Resources Development— | | | | |
| Canada Labour Code—Other | | 443,245 | 409,260 | 33,985 |
| Canada Labour Code—Wage Recovery Appeals | | 902,707 | 1,891,183 | (988,476) |
| | | 1,345,952 | 2,300,443 | (954,491) |
| Indian Affairs and Northern Development— | | | | |
| Agent administered Indian minors account | | 991,660 | | 991,660 |
| Less: securities held in Peace Hills Trust | | | 991,660 | 991,660 |
| | | 991,660 | 991,660 | |
| Field British Columbia and Yukon Operations of the Northern Canada Power Commission | 992,588 | | | 992,588 |
| Guarantee deposits | 17,634,860 | 7,139,769 | 5,352,316 | 19,422,313 |
| Less: securities held in trust | 13,094,748 | 3,930,642 | 5,479,439 | 14,643,545 |
| | 4,540,112 | 11,070,411 | 10,831,755 | 4,778,768 |
| Guarantee deposits—Oil and gas | 18,913,051 | 3,385,846 | 8,778,173 | 13,520,724 |
| Less: securities held in trust | 16,488,652 | 7,671,775 | 3,268,022 | 12,084,899 |
| | 2,424,399 | 11,057,621 | 12,046,195 | 1,435,825 |
| Guarantee deposits—Reserve resources | 1,467,338 | 145,015 | 836,374 | 775,979 |
| Less: securities held in trust | 537,500 | 537,500 | | |
| | 929,838 | 682,515 | 836,374 | 775,979 |
| | 8,886,937 | 23,802,207 | 24,705,984 | 7,983,160 |
| Industry— | | | | |
| Trustee Performance Securities—Bankruptcy and Insolvency Act | 15,000 | 100,000 | 100,000 | 15,000 |
| Justice— | | | | |
| Supreme Court of Canada— | | | | |
| Security for costs | 355,242 | 25,947 | 6,276 | 374,913 |
| Tax Court of Canada— | | | | |
| Security for costs | 17,769 | 617 | 12,398 | 5,988 |
| | 373,011 | 26,564 | 18,674 | 380,901 |

TABLE 6.24

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| National Revenue— | | | | |
| Guarantee deposits | 10,622,074 | 1,904,439 | 1,128,492 | 11,398,021 |
| Less: securities held in trust | 1,938,800 | 553,000 | | 1,385,800 |
| | 8,683,274 | 2,457,439 | 1,128,492 | 10,012,221 |
| Temporary deposits received from importers | 931,613 | | 186,987 | 744,626 |
| Less: deposits in special bank accounts | 931,613 | 186,987 | | 744,626 |
| | 8,683,274 | 186,987 | 186,987 | |
| | | 2,644,426 | 1,315,479 | 10,012,221 |
| Natural Resources— | | | | |
| Guarantee deposits—Oil and gas | 105,495,999 | 74,070,342 | 23,275,188 | 156,291,153 |
| Less: securities held in trust | 102,974,787 | 23,275,187 | 74,026,478 | 153,726,078 |
| | 2,521,212 | 97,345,529 | 97,301,666 | 2,565,075 |
| Privy Council— | | | | |
| Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum | 133,100 | 13,000 | 135,100 | 11,000 |
| Public Works and Government Services— | | | | |
| Contractors' security deposits (departments and agencies)— | | | | |
| Bonds | 6,654,372 | 196,706 | 1,534,812 | 5,316,266 |
| Less: securities held in trust | 6,654,372 | 2,030,125 | 715,705 | 5,339,952 |
| | | 2,226,831 | 2,250,517 | (23,686) |
| Cash | 12,326,808 | 11,808,291 | 10,888,194 | 13,246,905 |
| Certified cheques | 825,266 | | 357,608 | 467,658 |
| Less: securities held in trust | 825,266 | 379,788 | | 445,478 |
| | | 379,788 | 357,608 | 22,180 |
| Seized property—Cash | 11,637,078 | 2,946,398 | 2,231,653 | 12,351,823 |
| | 23,963,886 | 17,361,308 | 15,727,972 | 25,597,222 |
| Total deposit accounts | 183,745,964 | 581,208,798 | 611,931,737 | 153,023,025 |
| Trust accounts— | | | | |
| Finance— | | | | |
| Halifax 1917 explosion pension account | 213,535 | 20,341 | 83,882 | 149,994 |
| Indian Affairs and Northern Development— | | | | |
| Indian band funds— | | | | |
| Capital accounts, Table 6.25 | 803,323,172 | 95,396,113 | 156,639,036 | 742,080,249 |
| Revenue accounts, Table 6.26 | 118,006,960 | 86,636,263 | 71,634,431 | 133,008,792 |
| | 921,330,132 | 182,032,376 | 228,273,467 | 875,089,041 |
| Indian estate accounts | 7,794,162 | 4,646,252 | 3,895,793 | 8,544,621 |
| Indian savings accounts | 121,850,618 | 8,199,931 | 27,407,076 | 102,643,473 |
| | 1,050,974,912 | 194,878,559 | 259,576,336 | 986,277,135 |
| National Defence— | | | | |
| Estates—Armed services | 274,993 | 9,093,332 | 10,257,802 | (889,477) |
| Solicitor General— | | | | |
| Canadian Security Intelligence Service— | | | | |
| Scholastic awards | 33,590 | 1,659 | 2,000 | 33,249 |
| Correctional Service— | | | | |
| Inmates' trust fund | 8,493,406 | 29,274,350 | 29,596,677 | 8,171,079 |
| Royal Canadian Mounted Police— | | | | |
| Benefit trust fund | 2,303,152 | 251,090 | 316,833 | 2,237,409 |
| | 10,830,148 | 29,527,099 | 29,915,510 | 10,441,737 |
| Veterans Affairs— | | | | |
| Administered trust accounts | 7,449,910 | 1,652,336 | 2,392,660 | 6,709,586 |
| Estates fund | 811,513 | 922,695 | 1,115,916 | 618,292 |
| Veterans administration and welfare trust fund | 839,681 | 223,879 | 339,657 | 723,903 |
| | 9,101,104 | 2,798,910 | 3,848,233 | 8,051,781 |
| Total trust accounts | 1,071,394,692 | 236,318,241 | 303,681,763 | 1,004,031,170 |
| Total deposit and trust accounts | 1,255,140,656 | 817,527,039 | 915,613,500 | 1,157,054,195 |

Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

Guarantee deposits—Board of Arbitration and Review Tribunal

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with subsection 92(1) of the *Immigration Act*.

Immigration guarantee fund

This account was established by sections 18, 23, 92 and 103 of the *Immigration Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Holdback—Privatization—Canada Development Investment Corporation

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

Crown corporations' surplus moneys

These accounts were established pursuant to subsection 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

Petro-Canada Limited—Cash reserve

This account was established to record cash received from Petro-Canada Limited to be used to pay expenses of Petro-Canada Limited and to cover shortfalls on interest and principal payments for Petro-Canada Limited debt.

Canada Labour Code—Other

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

Canada Labour Code—Wage Recovery Appeals

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

The debit balance is due to amounts not yet transferred from the Labour standards suspense account. The amounts will be transferred in the following year.

Agent administered Indian minors account

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

Trustee Performance Securities—Bankruptcy and Insolvency Act

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by the Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

Security for costs—Tax Court of Canada

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Guarantee deposits—National Revenue

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

Guarantee deposits—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

During the year, an amount of \$35,100 was transferred to non-tax revenues.

Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash which is required to be held by the Minister of Public Works and Government Services until disbursement.

Halifax 1917 explosion pension account

This account was established by subsection 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.25

INDIAN BAND FUNDS—CAPITAL ACCOUNTS

| | 1998-99 | 1997-98 |
|---|-------------|-------------|
| | \$ | \$ |
| Opening balance | 803,323,172 | 804,168,681 |
| RECEIPTS AND OTHER CREDITS— | | |
| Oil royalties | 12,625,063 | 16,604,969 |
| Gas royalties | 70,654,199 | 54,090,419 |
| Land and other claim settlements | 500,000 | 3,700,000 |
| Sundries | 11,616,851 | 18,429,981 |
| | 95,396,113 | 92,825,369 |
| | 898,719,285 | 896,994,050 |
| PAYMENTS AND OTHER CHARGES— | | |
| Per capita cash distribution | 4,890,138 | 7,422,629 |
| Transfer pursuant to section 64 of the Indian Act | 147,848,453 | 86,004,451 |
| Sundries | 3,900,445 | 243,798 |
| | 156,639,036 | 93,670,878 |
| Closing balance | 742,080,249 | 803,323,172 |

TABLE 6.26

INDIAN BAND FUNDS—REVENUE ACCOUNTS

| | 1998-99 | 1997-98 |
|---|-------------|-------------|
| | \$ | \$ |
| Opening balance | 118,006,960 | 121,716,221 |
| RECEIPTS AND OTHER CREDITS— | | |
| Government interest | 47,763,446 | 55,206,404 |
| Land and other claim settlements | 16,116,620 | 624,730 |
| Sundries | 22,756,197 | 19,700,246 |
| | 86,636,263 | 75,531,380 |
| | 204,643,223 | 197,247,601 |
| PAYMENTS AND OTHER CHARGES— | | |
| Per capita cash distribution | 11,923,324 | 1,717,998 |
| Transfer pursuant to section 69 of the Indian Act | 52,550,467 | 69,215,025 |
| Sundries | 7,160,640 | 8,307,618 |
| | 71,634,431 | 79,240,641 |
| Closing balance | 133,008,792 | 118,006,960 |

Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians and mentally incompetent Indians pursuant to sections 42 to 51 of the *Indian Act*.

Indian savings accounts

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Estates—Armed services

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

The debit balance in this account is due to incorrect coding of transactions that should have been charged to the "Contractors' Deposit Account". These coding errors will be corrected in the new fiscal year.

Scholastic awards

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

Administered trust accounts

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Estates Regulations.

Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc., received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.27 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.27
OTHER SPECIFIED PURPOSE ACCOUNTS

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|---|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Insurance and death benefit accounts— | | | | |
| Finance— | | | | |
| Office of the Superintendent of Financial Institutions— | | | | |
| Insurance company liquidation | 38,921,078 | 2,092,184 | 338,949 | 40,674,313 |
| Human Resources Development— | | | | |
| Civil service insurance fund | 8,914,669 | 319,232 | 561,553 | 8,672,348 |
| National Defence— | | | | |
| Regular forces death benefit account, | | | | |
| Table 6.28 | 177,761,423 | 29,940,408 | 26,022,189 | 181,679,642 |
| Treasury Board— | | | | |
| Public Service death benefit account, | | | | |
| Table 6.29 | 1,459,046,155 | 211,001,949 | 77,062,212 | 1,592,985,892 |
| Veterans Affairs— | | | | |
| Returned soldiers' insurance fund | 161,040 | | 29,938 | 131,102 |
| Veterans insurance fund | 13,768,633 | 383,476 | 1,131,203 | 13,020,906 |
| | 13,929,673 | 383,476 | 1,161,141 | 13,152,008 |
| Total insurance and death benefit accounts | 1,698,572,998 | 243,737,249 | 105,146,044 | 1,837,164,203 |
| Pension accounts— | | | | |
| Human Resources Development— | | | | |
| Annuities agents' pension account | 21,947 | 2,780 | | 24,727 |
| Solicitor General— | | | | |
| Royal Canadian Mounted Police— | | | | |
| Dependants' pension fund | 28,765,313 | 2,715,933 | 1,790,368 | 29,690,878 |
| Treasury Board— | | | | |
| Locally engaged contributory pension | | | | |
| account | | 60,148 | 60,148 | |
| Total pension accounts | 28,787,260 | 2,778,861 | 1,850,516 | 29,715,605 |
| Other accounts— | | | | |
| Agriculture and Agri-Food— | | | | |
| Canada/Manitoba partnership | | | | |
| agreement on municipal water | | | | |
| infrastructure for rural economic | | | | |
| diversification | 116,938 | 1,080,524 | 921,935 | 275,527 |
| Commodity Industry Development Fund—Province | 6,101,972 | 227,249 | 3,997,313 | 2,331,908 |
| Net Income Stabilization Account | 1,256,301,775 | 491,538,438 | 326,416,863 | 1,421,423,350 |
| Net Income Stabilization Account | | | | |
| Fund No.1—Deposits | | 7,866,658 | 7,866,658 | |
| Shared-cost agreements—Research | 14,902,494 | 27,797,697 | 21,486,086 | 21,214,105 |
| Canadian Food Inspection Agency— | | | | |
| Shared-cost agreements | | 779,471 | 502,637 | 276,834 |
| | 1,277,423,179 | 529,290,037 | 361,191,492 | 1,445,521,724 |
| Canadian Heritage— | | | | |
| Mackenzie King trust account | 285,013 | 11,002 | 14,738 | 281,277 |
| Miscellaneous projects deposits | 679,226 | 1,265,779 | 173,750 | 1,771,255 |
| Shared-cost agreements—Conferences | | | | |
| and training | 5,339 | | 5,339 | |
| Shared-cost/joint project agreements | 16,900 | 23,100 | 22,000 | 18,000 |

TABLE 6.27

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Canadian Film Development Corporation— | | | | |
| Advance account ⁽¹⁾ | 27,099,412 | 29,453,152 | 36,626,502 | 19,926,062 |
| Canadian Radio-television and Telecommunications Commission— | | | | |
| Shared-costs projects | 28,085,890 | 161,263 | 161,263 | |
| | | 30,914,296 | 37,003,592 | 21,996,594 |
| Environment— | | | | |
| Miscellaneous projects deposits | 3,144,749 | 4,992,166 | 4,821,737 | 3,315,178 |
| Canadian Environmental Assessment Agency— | | | | |
| Public participation funding program | 151,315 | | 151,315 | |
| | 3,296,064 | 4,992,166 | 4,973,052 | 3,315,178 |
| Finance— | | | | |
| Common school funds—Ontario and Quebec | 2,677,771 | | | 2,677,771 |
| Foreign claims fund | 179,020 | | | 179,020 |
| War claims fund—World War II | 4,236 | | | 4,236 |
| | 2,861,027 | | | 2,861,027 |
| Fisheries and Oceans— | | | | |
| Federal/provincial cost-sharing agreements | 1,796,427 | 1,635,189 | 2,340,875 | 1,090,741 |
| Miscellaneous projects deposits | 7,776,722 | 11,526,756 | 11,611,678 | 7,691,800 |
| Sales of seized assets | 754,152 | 500,799 | 597,384 | 657,567 |
| | 10,327,301 | 13,662,744 | 14,549,937 | 9,440,108 |
| Foreign Affairs and International Trade— | | | | |
| Canada Foundation account | 309,315 | 41,330 | 11,049 | 339,596 |
| Less: securities held in trust | 295,594 | 764 | 41,184 | 336,014 |
| deposits in a special bank account | 13,721 | 27,810 | 17,671 | 3,582 |
| | | 69,904 | 69,904 | |
| Financial assistance to Canadians abroad | 141,940 | 1,705,338 | 1,781,209 | 66,069 |
| Funds from non-governmental organizations | 723,580 | 11,461,074 | 11,260,322 | 924,332 |
| Shared-cost projects | 541,029 | 6,613,853 | 6,327,502 | 827,380 |
| Canadian International Development Agency— | | | | |
| Shared-cost projects—International conferences | 18,183 | 59,513 | 48,534 | 29,162 |
| NAFTA Secretariat, Canadian Section— | | | | |
| Shared-cost agreements | 12,018 | | 2,863 | 9,155 |
| | 1,436,750 | 19,909,682 | 19,490,334 | 1,856,098 |
| Health— | | | | |
| Canadian Sports Pool Corporation—Other outstanding liabilities | 50,000 | | | 50,000 |
| Collaborative research projects | 402,807 | 589,189 | 636,346 | 355,650 |
| Miscellaneous federal/provincial projects | 732,669 | 1,934,539 | 1,783,202 | 884,006 |
| Pan American Health Organization | 29,097 | 136,620 | 181,668 | (15,951) |
| World Health Organization | 87,939 | 41,619 | 16,411 | 113,147 |
| Medical Research Council— | | | | |
| Dyskinesia and torticollis research | 77,730 | 3,372 | | 81,102 |
| | 1,380,242 | 2,705,339 | 2,617,627 | 1,467,954 |
| Human Resources Development— | | | | |
| Fair wages suspense account | 10,934 | 904 | 7,634 | 4,204 |
| Federal/provincial shared-cost project | 97,069 | 14,167,525 | 14,087,323 | 177,271 |
| Federal/provincial shared-cost project—Interprovincial | | | | |
| Computerized Examination Management System (ICEMS) .. | 1,695,941 | 90,709 | 209,124 | 1,577,526 |
| Labour standards suspense account | 3,413,743 | 832,861 | 1,570,410 | 2,676,194 |
| Canadian Centre for Occupational Health and Safety— | | | | |
| PanAsia Research and Development Grants Program | | 300,000 | 69,726 | 230,274 |
| | 5,217,687 | 15,391,999 | 15,944,217 | 4,665,469 |

TABLE 6.27

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|--|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Indian Affairs and Northern Development— | | | | |
| Fines—Indian Act | 379,239 | 12,734 | 16,911 | 375,062 |
| Indian agencies revenue trust bank accounts | 92,727 | 5,176,499 | 5,030,018 | 239,208 |
| Less: deposits in special bank accounts | 92,727 | 5,176,499 | 5,030,018 | 239,208 |
| Indian band funds— | | | | |
| Shares and certificates | 20,000 | | | 20,000 |
| Less: securities held in trust | 20,000 | | | 20,000 |
| Indian compensation funds | 222,340 | | | 222,340 |
| Indian moneys suspense account | 22,248,747 | 17,905,909 | 14,891,369 | 25,263,287 |
| Indian special accounts | 1,370,738 | 445,564 | 576,891 | 1,239,411 |
| Treaty Land Entitlement (Saskatchewan) Fund | | 12,706,210 | 12,706,210 | |
| | 24,221,064 | 31,070,417 | 28,191,381 | 27,100,100 |
| Industry— | | | | |
| Canada/Provinces Business Service Centre | | 300,000 | 300,000 | |
| Income from securities in trust—Bankruptcy and Insolvency Act | 46,088 | 339 | | 46,427 |
| Petro-Canada Enterprises Inc.—Unclaimed shares | 713,872 | | 6,910 | 706,962 |
| Securities in trust—Bankruptcy and Insolvency Act | 31,266 | | | 31,266 |
| Less: securities held in trust | 31,266 | | | 31,266 |
| Shared-cost agreements—Tourism | 249,673 | 1,076,129 | 665,605 | 660,197 |
| Shared-cost/joint project agreements—Research | 355,180 | 195,317 | 479,433 | 71,064 |
| Shared-cost projects | 522,707 | 1,540,030 | 987,152 | 1,075,585 |
| Unclaimed dividends and undistributed assets— | | | | |
| Bankruptcy and Insolvency Act | 2,123,300 | 853,229 | 576,474 | 2,400,055 |
| Canada Business Corporations Act | 1,211,455 | 2,932,697 | 2,939,237 | 1,204,915 |
| Winding-up Act | 529,659 | | | 529,659 |
| Atlantic Canada Opportunities Agency— | | | | |
| Federal/provincial agreement—Advance account | 210,623 | 2,620,000 | 2,380,685 | 449,938 |
| Canadian Space Agency— | | | | |
| Radarsat | 403,910 | | 32,675 | 371,235 |
| National Research Council of Canada— | | | | |
| Trust fund | 10,606,788 | 14,345,804 | 13,628,150 | 11,324,442 |
| Natural Sciences and Engineering Research Council— | | | | |
| Trust fund | 984,160 | 709,529 | 408,855 | 1,284,834 |
| Social Sciences and Humanities Research Council— | | | | |
| Queen's Fellowship fund | 250,142 | 12,332 | 1,422 | 261,052 |
| Trust fund | 230,513 | 14,807 | 5,000 | 240,320 |
| Statistics Canada— | | | | |
| Project deposits | 3,720,144 | 54,036,582 | 53,709,782 | 4,046,944 |
| Western Economic Diversification— | | | | |
| Jobs and economic restoration initiative | 2,774,169 | 6,166,965 | 8,718,234 | 222,900 |
| Shared-cost agreements—Port of Churchill | | 3,000,000 | | 3,000,000 |
| | 24,932,383 | 87,803,760 | 84,839,614 | 27,896,529 |
| Justice— | | | | |
| Federal Court of Canada— | | | | |
| Federal Court special account | 20,008,764 | 4,120,516 | 9,979,821 | 14,149,459 |
| National Defence— | | | | |
| Foreign governments— | | | | |
| United Kingdom— | | | | |
| British Army—Suffield, Alberta | 5,548,601 | 55,124,806 | 45,160,428 | 15,512,979 |
| Wainwright, Alberta | 707,901 | 7,083,743 | 6,123,109 | 1,668,535 |
| Other activities | 3,251,397 | 15,714,925 | 16,305,491 | 2,660,831 |
| United States of America | 214,315 | 492,432 | 631,308 | 75,439 |

TABLE 6.27

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

| | April 1/1998 | Receipts and other credits | Payments and other charges | March 31/1999 |
|---|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Federal Republic of Germany— | | | | |
| German Army—Shilo, Manitoba | 8,072,541 | 20,398,000 | 20,601,347 | 7,869,194 |
| Other activities | 14,098,388 | 25,536,108 | 28,293,019 | 11,341,477 |
| Netherlands | 5,107,115 | 11,847,000 | 8,898,830 | 8,055,285 |
| Joint research and development projects | 130,338 | 346,712 | 74,693 | 402,357 |
| Non-government agencies | 1,731,440 | 1,427,252 | 2,047,988 | 1,110,704 |
| North Atlantic Treaty Organization (NATO)— | | | | |
| Infrastructure projects | 6,671,890 | | 13,399 | 6,658,491 |
| | 45,533,926 | 137,970,978 | 128,149,612 | 55,355,292 |
| Natural Resources— | | | | |
| Atomic Energy of Canada Limited regional seismic | | | | |
| monitoring station | | 36,425 | 36,425 | |
| Continental geoscience division—Ontario Hydro | 32,458 | | 25,306 | 7,152 |
| Market development incentive payments—Alberta | 7,248,010 | 149,753 | 36,250 | 7,361,513 |
| Miscellaneous projects deposits | 4,114,348 | 2,135,051 | 3,137,404 | 3,111,995 |
| Shared-cost agreements—Research | 1,892,236 | 2,095,398 | 2,369,646 | 1,617,988 |
| Shared-cost projects | 3,273,324 | 4,059,317 | 4,260,970 | 3,071,671 |
| | 16,560,376 | 8,475,944 | 9,866,001 | 15,170,319 |
| Public Works and Government Services— | | | | |
| Crown Corporation Trusts—Donations | | 65,100 | | 65,100 |
| Francophone Summits | 188,028 | 60,240 | 94,270 | 153,998 |
| Interest on bonds—Insurance companies | | 127,463 | 127,463 | |
| Military purchases excess funds deposit | 48,230,136 | 13,618,408 | | 61,848,544 |
| Less: securities held in trust | 48,230,136 | | 13,618,408 | 61,848,544 |
| | | 13,618,408 | 13,618,408 | |
| | 188,028 | 13,871,211 | 13,840,141 | 219,098 |
| Solicitor General— | | | | |
| Joint research and development projects | 384,741 | 443,854 | 633,557 | 195,038 |
| Royal Canadian Mounted Police— | | | | |
| Joint research and development projects | 465,552 | 71,628 | 30,700 | 506,480 |
| Mounted Police Foundation | 144,327 | 25,364 | 26,999 | 142,692 |
| Seized assets—Canadian funds, | 68,123 | 139,516 | 68,697 | 138,942 |
| Seized assets—US funds | 360 | | 360 | |
| Sponsorship Agreement—Contributions | 465,675 | 242,332 | 458,372 | 249,635 |
| | 1,528,778 | 922,694 | 1,218,685 | 1,232,787 |
| Treasury Board— | | | | |
| Egypt-Canada Memorandum of Cooperation | 7,375 | | | 7,375 |
| Total | 1,463,008,834 | 901,101,783 | 731,855,506 | 1,632,255,111 |
| Less: consolidation adjustment ⁽¹⁾ | 14,534,000 | | 5,392,000 | 19,926,000 |
| Total other accounts | 1,448,474,834 | 901,101,783 | 737,247,506 | 1,612,329,111 |
| Total other specified purpose accounts | 3,175,835,092 | 1,147,617,893 | 844,244,066 | 3,479,208,919 |

⁽¹⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate of Northumberland General Insurance Company.

Civil service insurance fund

This fund was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service for the payment of certain sums of money to be paid on the death of that person. No new contracts have been entered into since 1954 when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1, 1997, the Department of Human Resources Development assumed the responsibility for the administration of the *Civil Service Insurance Act*.

The number of policies in force now stands at 2,234 and the average age of the policyholders is 81.4 years. During the year, receipts and other credits consisted of premiums of \$6,413 on 67 contracts and, an amount of \$312,819 (charged to expenditures) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1998. Payments and other charges consisted of death benefits for 105 claims, \$531,613; cash surrender values paid on 1 policy, \$8,068; settlement annuities paid to 44 beneficiaries, \$21,798; and, premiums refund, \$74.

On the prescribed actuarial assumptions, the liabilities in respect of the benefit plan established under the Act are estimated at \$8,910,639 as of March 31, 1999. The balance of the Account as of that date is \$8,672,348. The deficit is therefore at \$238,291. Pursuant to subsection 16(3) of the *Civil Service Insurance Regulations*, this amount will be credited to the Account in the current fiscal year from the Consolidated Revenue Fund.

Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.28

REGULAR FORCES DEATH BENEFIT ACCOUNT

| | 1998-99 | 1997-98 |
|---|-------------|-------------|
| | \$ | \$ |
| Opening balance | 177,761,423 | 172,073,804 |
| RECEIPTS AND OTHER CREDITS— | | |
| Contributions by personnel | 10,456,551 | 10,212,396 |
| Government's contribution | 2,125,788 | 1,988,115 |
| Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution | 646,350 | 657,434 |
| Interest | 16,711,719 | 16,707,049 |
| | 29,940,408 | 29,564,994 |
| | 207,701,831 | 201,638,798 |
| PAYMENTS AND OTHER CHARGES— | | |
| Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pen- sions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act | 26,022,189 | 23,877,375 |
| Closing balance | 181,679,642 | 177,761,423 |

Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$5,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$5,000 death benefit coverage for life has been made.

TABLE 6.29
PUBLIC SERVICE DEATH BENEFIT ACCOUNT

| | 1998-99 | 1997-98 |
|--|---------------|---------------|
| | \$ | \$ |
| Opening balance | 1,459,046,155 | 1,343,318,410 |
| RECEIPTS AND OTHER CREDITS— | | |
| Contributions— | | |
| Employees— | | |
| Government and Public Service corporations | 62,563,036 | 60,951,305 |
| Government— | | |
| General | 4,503,393 | 5,429,724 |
| Single premium for \$5,000 | 1,334,835 | 1,311,978 |
| Public Service corporations | 2,451,902 | 2,424,788 |
| Interest | 140,148,783 | 132,895,036 |
| | 211,001,949 | 203,012,831 |
| | 1,670,048,104 | 1,546,331,241 |
| PAYMENTS AND OTHER CHARGES— | | |
| Benefit payments— | | |
| General | 54,040,721 | 65,156,693 |
| Life coverage of \$5,000 | 20,673,916 | 22,049,933 |
| Other death benefit payments | 2,347,575 | 78,460 |
| | 77,062,212 | 87,285,086 |
| Closing balance | 1,592,985,892 | 1,459,046,155 |

Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 1998 of \$12,728 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1998 of \$340,664 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

Locally engaged contributory pension account

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

Commodity Industry Development Fund—Province

This account was established to record contributions received from provincial governments equal to a maximum of one-half of the premium contributions made under the National Tripartite Stabilization Program for Beef in respect of sales in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are to be used for programs, projects and activities which include, but are not exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

Net Income Stabilization Account

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

For the fiscal year ending March 31, 1999, participant deposits pertained in most part, to the 1997 stabilization year (the period for which a participant filed a 1997 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1997 stabilization year, the Agreement allowed for base matchable deposits of up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province.

Participants are entitled to make additional non-matchable deposits, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to 5 years).

The account records transactions relating to the Consolidated Revenue Fund as follows:

- (a) Government matching contributions on participant matchable deposits, for the 1997 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers (a stabilization trigger and a minimum income trigger)).

Net Income Stabilization Account Fund No. 1—Deposits

This account was established on the basis of an agreement between the Minister of Finance and the Minister of Agriculture and Agri-Food. The account is of a short-term nature and it records the deposits of NISA participants that were using the Farm Credit Corporation as a default financial institution; the legal authority for the Farm Credit Corporation to accept NISA deposits was rescinded on March 31, 1998. NISA participants have now selected their own financial institution for deposits and this account will be closed shortly.

Shared-cost agreements—Research—Agriculture and Agri-Food

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Shared-cost agreements—Canadian Food Inspection Agency

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of section 3 of the *Laurier House Act*, is to be credited to the account at the end of each year, and charged to interest on the public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Shared-cost agreements—Conferences and training—Canadian Heritage

This account was established to record monies received from other governments and organizations for shared-cost agreements. Monies are disbursed on behalf of depositors as specific training is undertaken or conferences held.

Shared-cost/joint project agreements—Canadian Heritage

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Advance account—Canadian Film Development Corporation

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

Shared-costs projects—Canadian Radio-television and Telecommunications Commission

This account was established to record advance payments from private industry in support of joint initiatives with the Commission.

Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Public participation funding program

This account was established to record deposits received from provinces, territories or private organizations to provide funds to assist public participation on high level nuclear fuel waste in the Canadian Environmental Assessment Agency.

During the year, the account was closed.

Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

Federal/provincial cost-sharing agreements

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

Funds from non-governmental organizations

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Shared-cost projects—International conferences

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development of common information management systems.

Canadian Sports Pool Corporation—Other outstanding liabilities

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

Collaborative research projects

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Health

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial projects in the areas of hospital administration, hospital facilities design and other related health issues.

Pan American Health Organization

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enteric pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of *S. pneumonia* in support of vaccine development.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Dyskinesia and torticollis research

This account was established by subsection 5(3) of the *Medical Research Council Act*, to record a bequest of \$75,000 made by an anonymous donor, to establish a fund for research in the fields of dyskinesia and torticollis. The interest received is used for the payment of research grants. Other donations are also credited to this fund.

Fair wages suspense account

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

Federal/provincial shared-cost project—Human Resources Development

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The cost incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

Labour standards suspense account

This account was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Human Resources Development from employers who cannot locate employees. Efforts are then made to locate employees.

PanAsia Research and Development Grants Program

This account was established to record monies being administered on behalf of the International Development Research Centre for various grants to support research and development and research projects in Asia and Pacific region in networking applications, technologies and regulatory issues. The project addresses the region's economic, social and environmental problems.

Fines—Indian Act

Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

Indian agencies revenue trust bank accounts

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) Missing individual—Estate distribution to which a missing individual is entitled is held in this account.
- (b) Quebec fur account—This account records moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

Treaty Land Entitlement (Saskatchewan) Fund

This account was established to record contributions and payments pertaining to settling of Saskatchewan Indian Nation's land claims. Interest credited on the Province of Saskatchewan deposits was charged to public debt while interest on federal contribution was charged to expenditures of the Department of Indian Affairs and Northern Development.

Canada/Provinces Business Service Centre

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safe-keeping.

Petro-Canada Enterprises Inc.—Unclaimed shares

This account was established to record the liability to shareholders who have not presented their shares for payment.

Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

Shared-cost agreements—Tourism

This account was established to record amounts deposited by external parties for shared-cost projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

Unclaimed dividends and undistributed assets—Winding-up Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

Radarsat

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

Trust fund—National Research Council of Canada

This account was established by the *National Research Council Act*, to record funds received from other governments and organizations outside the accounting entity, to cover expenditures made on their behalf.

Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

Queen's Fellowship fund—Social Sciences and Humanities Research Council

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

Trust fund—Social Sciences and Humanities Research Council

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

Project deposits—Statistics Canada

This account was established to record deposits received from outside parties to secure payments for special statistical services.

Jobs and economic restoration initiative

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

Shared-cost agreements—Port of Churchill

This account was established through a federal-provincial cost-shared program in sharing the dredging costs of the upgrade to the Port of Churchill.

Federal Court special account

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Foreign governments

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

Joint research and development projects—National Defence

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

Non-government agencies

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

North Atlantic Treaty Organization (NATO)—Infrastructure projects

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

Atomic Energy of Canada Limited regional seismic monitoring station

This account was established to record funds received from Atomic Energy of Canada Limited, to accommodate the cost-sharing of expenses required to operate a network of regional seismic monitoring stations in the provinces of Ontario and Alberta.

Continental geoscience division—Ontario Hydro

This account was established to facilitate a cost sharing agreement between Natural Resources and Ontario Hydro to acquire, compile, process and interpret seismic reflection data recorded in Lake Ontario, Lake Erie, and Lake Huron.

Market development incentive payments—Alberta

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for selected programs which encourage the use of natural gas for vehicles.

Miscellaneous projects deposits—Natural Resources

This account was established to record contributions received from organizations and individuals for the furtherance of forestry research work.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

Crown Corporation Trusts—Donations

This account was established to record, on a temporary basis, (a) donations intended for the development and operations of the Downsview Park, Toronto; and, (b) donations from private sector entities to support the Old Port of Montreal.

Francophone Summits

This account was established to record moneys granted since 1994 by the «Agence de la Francophonie (Paris)» for completing projects involving the industrialization of the French language and the promotion of new French terms in both scientific and technical fields.

Interest on bonds—Insurance companies

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the *Insurance Companies Act*. Debits represent the payment of the same interest to the insurance companies.

Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

Joint research and development projects—Solicitor General

This account was established to record funds received to conduct joint research and development projects.

Joint research and development projects—Royal Canadian Mounted Police

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

Mounted Police Foundation

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenditures related to community policing, educational, promotional and public relations projects throughout Canada.

Seized assets—Canadian funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Seized assets—US funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

During the year, the account was closed.

Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

Egypt-Canada Memorandum of Cooperation

This account was established to facilitate funding of expenditures as outlined in the Egypt-Canada Memorandum of Cooperation.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following financial statements have been prepared by management of the Department of Human Resources Development in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and estimates in these financial statements are management's responsibility. Management is also responsible for all other information in the *Annual Report of the Canada Pension Plan* and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements of the Canada Pension Plan.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, and to ensure that transactions are in accordance with the *Canada Pension Plan* (the Act) and Regulations, as well as the *Financial Administration Act* and Regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, audits the financial statements and reports to the Minister of Human Resources Development.

SERGE RAINVILLE
*Assistant Deputy Minister
Financial and Administrative Services*

CLAIRE M. MORRIS
Deputy Minister

July 23, 1999

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the statement of revenue, expenditures and balance of the Canada Pension Plan and the statement of disposals, re-investments and balance of the Canada Pension Plan Investment Fund for the year ended March 31, 1999. These financial statements are the responsibility of the management of the Department of Human Resources Development. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the balances of the Plan and the Investment Fund as at March 31, 1999 and the results of operations of the Plan and the disposals and re-investments of the Investment Fund for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 23, 1999

Canada Pension Plan —Continued

CANADA PENSION PLAN

STATEMENT OF REVENUE, EXPENDITURES AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1999

(in millions of dollars)

| | 1999 | 1998 |
|--|--------|---------|
| Revenue | | |
| Contributions (Note 3) | 14,800 | 12,790 |
| Investment income (Note 4) | 3,926 | 3,950 |
| | 18,726 | 16,740 |
| Expenditures | | |
| Pensions and benefits (Note 5) | | |
| Retirement | 12,381 | 11,827 |
| Disability | 2,579 | 2,542 |
| Survivor | 2,561 | 2,447 |
| Disabled contributor's child | 248 | 250 |
| Death | 224 | 269 |
| Orphan | 202 | 202 |
| | 18,195 | 17,537 |
| Administration costs (Note 6) | 304 | 298 |
| | 18,499 | 17,835 |
| Excess of revenue over expenditures (expenditures over revenue) | 227 | (1,095) |
| Balance at beginning of year | 36,664 | 37,759 |
| Balance at end of year | 36,891 | 36,664 |
| Represented by: | | |
| Canada Pension Plan | | |
| Investment Fund (Note 7) | 30,833 | 32,459 |
| Canada Pension Plan | | |
| Investment Board (Note 8) | 12 | |
| Canada Pension Plan | | |
| Account (Note 9) | 6,046 | 4,205 |
| | 36,891 | 36,664 |

Contingencies (Note 10)

The accompanying notes are an integral part of these financial statements.

Approved by the Department of Human Resources Development:

SERGE RAINVILLE*Assistant Deputy Minister**Financial and Administrative Services***CLAIRE M. MORRIS***Deputy Minister*

Canada Pension Plan—Continued

CANADA PENSION PLAN INVESTMENT FUND

STATEMENT OF DISPOSALS, RE-INVESTMENTS AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1999
(in millions of dollars)

| | Balance at beginning of year | Disposals | Re-investments | Balance at end of year |
|-----------------------------------|------------------------------------|-----------|----------------|------------------------------|
| Investment in securities (Note 7) | | | | |
| Newfoundland | 673 | 37 | 2 | 638 |
| Prince Edward Island | 149 | 8 | | 141 |
| Nova Scotia | 1,214 | 68 | 27 | 1,173 |
| New Brunswick | 896 | 53 | | 843 |
| Quebec | 103 | 6 | | 97 |
| Ontario | 14,106 | 916 | 45 | 13,235 |
| Manitoba | 1,698 | 99 | | 1,599 |
| Saskatchewan | 1,453 | 76 | | 1,377 |
| Alberta | 4,172 | 177 | | 3,995 |
| British Columbia | 4,535 | 261 | 13 | 4,287 |
| Yukon Territory | 4 | | | 4 |
| | 29,003 | 1,701 | 87 | 27,389 |
| Canada | 3,456 | 12 | | 3,444 |
| | 32,459 | 1,713 | 87 | 30,833 |

The accompanying notes are an integral part of these financial statements.

Approved by the Department of Human Resources Development:

SERGE RAINVILLE
Assistant Deputy Minister
Financial and Administrative Services

CLAIRE M. MORRIS
Deputy Minister

Canada Pension Plan—Continued

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1999

1. Description of the Canada Pension Plan

(a) General

The Canada Pension Plan began in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

(b) Establishment and authority

The Canada Pension Plan (CPP) is a federal/provincial plan established by act of Parliament in 1965.

The Minister of Human Resources Development is responsible for the administration of the act governing the *Canada Pension Plan* (the Act), other than collecting contributions, which is the responsibility of the Minister of National Revenue. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada by the Act, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund and the Canada Pension Plan Investment Board. The authority to spend is limited to the balance of the Account.

The Canada Pension Plan Investment Fund (the Fund) was established in the accounts of Canada by the Act, to record the investment in securities of provinces, territories and Canada.

The Canada Pension Plan Investment Board was established by act of Parliament in 1997. The Board was created in 1998 to help the CPP achieve its steady-state funding by earning investment returns on funds transferred from the CPP Account.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

(c) Financing

CPP is financed by contributions and investment returns.

Employers and employees pay contributions equally to the CPP. Self-employed workers pay the full amount.

CPP was designed to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis—that is, combined contributions are planned to increase to 9.9 percent of pensionable earnings by 2003 and are then expected to level off.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and has increased yearly by 0.2 percent to reach 5.6 percent in 1996. In 1997 and 1998, the combined contribution rate was increased by 0.4 percent to reach 6.0 and 6.4 percent respectively and in 1999, it was increased by 0.6 percent to reach 7 percent. The maximum combined contributions are \$2,138 for 1998 and \$2,373 for 1999.

The Act provides that an actuarial report shall be prepared every three years for purposes of the contribution rates review by the Minister of Finance and his provincial counterparts. The Seventeenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions was tabled in the House of Commons in December 1998. Discussions between the federal and provincial ministers of Finance are under way to determine whether benefits or contribution rates or both should be changed.

As stated in the Act, changes to contribution rates require the approval of at least two-thirds of the provinces having in the aggregate not less than two-thirds of the population of all included provinces.

(d) Investments

The balance in the CPP is composed of deposits, short term and long term investments and net assets of the CPP Investment Board. The balance is anticipated to increase to and be maintained at, over time, approximately five times the annual payments projected for the following year.

Canada Pension Plan—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999—Continued

Until 1997, cash on hand in excess of the three-month operating requirement was invested entirely in provincial, territorial and federal government bonds. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Starting in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years if both, the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board. The Board is mandated to invest these funds in a manner to increase the long-term value of the CPP assets through prudent participation in capital markets. The bond portfolio is administered by the federal Department of Finance.

(e) Pensions and benefits

Retirement pensions—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum monthly pension payable at age 65 in 1999 is \$751.67.

Disability benefits—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum monthly disability benefit in 1999 is \$903.55.

Survivor's benefits—A survivor's benefit is payable to the surviving spouse of a deceased contributor, according to the provisions of the Act. For a spouse under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A surviving spouse between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For spouses aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum monthly benefit payable to a surviving spouse in 1999 is \$451.00.

Disabled contributor's child and orphan benefits—According to the Act, each child of a contributor who is receiving disability benefits or who died is entitled to

a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 1999 is \$171.33.

Death benefits—According to the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts to either 10 percent of the maximum pensionable earning in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 1999 is \$2,500.

Pensions and benefits indexation—As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 1999 is 0.9 percent.

2. Accounting policies

The CPP financial statements report the financial activities of the CPP Account, the CPP Investment Fund and the CPP Investment Board.

The financial transactions affecting the Account and the Fund are governed by the Act governing the *Canada Pension Plan* and its regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

The Act does not require that the pensions and benefits be prefunded. Accordingly, the financial statements do not provide information on the adequacy of the balance in the CPP to meet, on an actuarial basis, the future obligations of the CPP.

(a) Contributions are recorded when funds are received from Revenue Canada. As stated in Note 3, funds transferred by Revenue Canada are estimated and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year the funds are received or reimbursed.

(b) Pensions and benefits are recorded when paid.

(c) Administration costs are recorded on a modified cash basis of accounting. This basis of accounting allows the recording of amounts paid in a specific period after year-end.

(d) Investments:

Canada Pension Plan Account and Investment Fund

Securities are shown at cost, which is equal to the face value at the time of purchase.

Interest revenues are recorded when received.

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999—Continued

Canada Pension Plan Investment Board

The balance is stated at the value of the Investment Board's net assets as at March 31.

Investment income is the Board's net income from operations. This is determined based on income from interest, realized and unrealized gains less investment and administrative expenses.

3. Contributions

The Department of Finance estimates annual contributions based on an estimate of pensionable earnings. The calculation of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate the pensionable earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 1998, would result, in each case, in a change of \$142 million in estimated contributions.

Revenue Canada transfers contributions to CPP based on the Department of Finance's estimate of contributions to be collected for a calendar year as well as its own contribution collection schedule for the year. Actual pensionable earning and contribution amounts for 1998 and 1999 will only be known once Revenue Canada has processed all employers' and self-employed workers' declarations of contributions for 1998 and 1999.

Adjustments, if any, are recorded in the year in which the funds are received or reimbursed. The reimbursements for 1997 and preceding years, paid in 1999 amounted to \$5 million (reimbursement of \$145 million in 1998).

4. Investment income

| | 1999 | 1998 |
|--|--------------------------|-------|
| | (in millions of dollars) | |
| Interest on investment in long term securities | | |
| Provinces and Yukon Territory ... | 3,277 | 3,431 |
| Canada | 353 | 354 |
| | 3,630 | 3,785 |
| Interest on deposit with the Receiver General for Canada, at a weighted-average rate of 4.80 percent (3.53 percent in 1998) | 261 | 158 |
| Interest on short term investments (3 month term) with Canada, at a weighted-average rate of 4.87 percent (2.97 percent in 1998) | 35 | 7 |
| Investment Board net income from operations ⁽¹⁾ | | |
| | 3,926 | 3,950 |

⁽¹⁾ The Investment Board's investment activities commenced with the receipt of the first transfer from CPP on March 1, 1999. The investment income of \$200,000 reflects only one month's activity.

5. Pension and benefit mispayments

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefit payouts may be made. Such "mispayments" occur more frequently for disability benefits. There is greater subjectivity in the adjudication of these applications and, once accepted, beneficiaries must continue to meet the eligibility criteria.

Management of the Canada Pension Plan periodically undertakes a study of the extent and nature of pension and benefit mispayments. The most recent study, which is based on the 1997 payment year, estimates through statistical extrapolation, that the most likely value of undetected mispayments at \$55.6 million. This includes underpayments of \$36.6 million and overpayments of \$19 million.

Disability mispayments, based on a review of 89 percent of the accounts selected as the study sample, have a most likely value of \$14.7 million in undetected mispayments, which include underpayments of \$7.5 million and overpayments of \$7.2 million.

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999—Continued

The results of the previous study, which was based on the 1996 payment year have been revised to reflect a higher completion rate for Disability accounts (originally 86.4 percent, now at 98 percent). The most likely value of undetected mispayments for Disability accounts is now estimated at \$43.3 million (compared with the \$23 million reported in the 1997-98 Financial Statements) of which underpayments represents \$14.1 million (\$8 million originally) and overpayments \$29.2 million (\$15 million originally). This increase in Disability's most likely value of undetected mispayments raises the overall estimated mispayment value for the entire CPP benefit population from \$40 million to \$60.3 million for the 1996 payment year.

Management has taken several initiatives to improve the administration of the Plan. Treasury Board has approved \$268 million for 1997-98 and subsequent years for implementation of key initiatives. Work currently under way includes the following:

- implementation of a quality assurance program;
- significant increases in the number of reassessments, verifying the continuing eligibility of beneficiaries; and,
- introduction of a new procedures used by the annual study on the extent and nature of pension and benefit mispayments.

6. Administration costs

| | 1999 | 1998 |
|---|--------------------------|------|
| | (in millions of dollars) | |
| Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada) | 206 | 204 |
| Collection of contributions (Revenue Canada) | 76 | 75 |
| Cheque issue and computer services (Public Works and Government Services Canada) | 14 | 17 |
| CPP Investment Board | 6 | |
| Actuarial services (Office of the Superintendent of Financial Institutions) | 1 | 1 |
| Investment services (Finance) | 1 | 1 |
| | 304 | 298 |

Administration costs of the Account represent the cost of services received from a number of federal government departments, an agency and a board. Those costs are charged to the Account in accordance with memoranda of understanding.

7. Investment in securities

The amounts invested by CPP in long-term securities of provinces, territories and Canada constitute the Canada Pension Plan Investment Fund.

Until the end of 1997, the investments in provincial, territorial and federal government securities were made with the cash on hand in excess of the three-month operating requirement. These securities were non-negotiable and had a 20-year term or less as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the securities was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more.

Starting in 1998, the existing securities held by the CPP Investment Fund may be re-invested at maturity, either wholly or in part, if both, the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. To the extent that the issuer does not replace the matured securities and the funds are not required by the CPP, the proceeds are transferred to the CPP Investment Board.

When a matured security is re-invested, the replacement security has a term of 20 years. The replacement securities are non-negotiable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same as the interest rate that the province would pay if it were to borrow the same amount for the same term through the issuance of a security on the public capital market.

All disposals of securities are made, at maturity date, at face value. Interest earned on the investments is credited semi-annually to the Account.

At March 31, 1999, the balance in the Investment Fund was \$30.8 billion at cost (\$32.5 billion in 1998). The fair value of the balance in the Fund is estimated at \$42 billion (\$44 billion in 1998). This estimate is based on the present value of the contractual cash flows discounted at rates currently available for similar investments.

The following schedule presents the classification of securities by maturity dates and the weighted average annual rate of return on securities currently held.

Canada Pension Plan—ConcludedNOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999—*Concluded*

(in millions of dollars)

| Investment maturing | March 31, 1999 | | March 31, 1998 | |
|--|--------------------|---------------|--------------------|---------------|
| | Investment at cost | Average yield | Investment at cost | Average yield |
| Within 1 year | 1,880 | 10.48% | 1,645 | 9.53% |
| 1 to 5 years | 9,224 | 13.65% | 8,674 | 13.48% |
| Over 5 years | 19,729 | 10.50% | 22,140 | 10.66% |
| Total—Investments | 30,833 | | 32,459 | |
| Weighted average yield on investments | | 11.44% | | 11.36% |

8. Canada Pension Plan Investment Board

The legislation establishing the Canada Pension Plan Investment Board came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

In March 1999, the CPP Account made an initial transfer of \$11.9 million to the Board for investment purposes. The Board's investments are distributed between Canadian and non-Canadian equities (82 percent and 18 percent respectively). The estimated fair market value of these investments as at March 31, 1999 was \$12.1 million.

During the year, CPP also transferred to the Investment Board \$6 million for start-up costs, as provided by the legislation. The Board will repay CPP \$4.9 million later in 1999.

9. Canada Pension Plan Account

The balance of the Account includes:

| | March 31, 1999 | March 31, 1998 |
|------------------------------|--------------------------|----------------|
| | (in millions of dollars) | |
| Deposit with Receiver | | |
| General for Canada | 5,427 | 4,205 |
| Short-term investments | 619 | |
| | 6,046 | 4,205 |

The carrying value of short-term investments approximates fair value at year-end.

10. Contingencies

At March 31, 1999, there were 16,084 (21,980 in 1998) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum of \$29 million (\$55 million in 1998).

Any claims resulting from the resolution of these appeals will be accounted for as an expenditure of the period in which the claim is paid.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the possible impacts on operations and financial reporting may range from minor errors to significant systems failure which if not addressed could affect CPP's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting CPP, including those related to the efforts of a number of federal government departments and an agency providing services to CPP, or other third parties, will be fully resolved.

Government Annuities Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the Account's management in accordance with generally accepted accounting principles consistently applied. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The Account's management recognises the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

The Department of Human Resources Development oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Account and for issuing his report thereon.

JAMES LAHEY
Deputy Minister

ALAN WINBERG
Assistant Deputy Minister
Financial and Administrative Services

July 30, 1999

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 1999 and the statements of operations and actuarial liabilities and changes in financial position for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 30, 1999

Government Annuities Account—Continued**REPORT OF THE ACTUARY**

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 1999 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the 1983 mortality rates, those of Table *a* for individual contracts and those of the Group Annuity Mortality Table for group contracts, with projection Scale G in both cases. The assumed interest rate was seven percent annually, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General of Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the Government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Michel Bédard
Fellow of the Canadian Institute of Actuaries
Chief Actuary
Human Resources Development Canada

Hull, Canada
July 30, 1999

BALANCE SHEET AS AT MARCH 31, 1999

(in thousands of dollars)

| ASSETS | 1999 | 1998 | LIABILITIES | 1999 | 1998 |
|--|---------|---------|---------------------------------------|---------|---------|
| Deposit with Receiver General for Canada (Note 3) | 544,848 | 584,845 | Actuarial surplus due to Canada | | 4,622 |
| Accrued interest due from Canada | 40,756 | 43,463 | Actuarial liabilities (Note 4) | 585,813 | 623,876 |
| Accounts receivable | 209 | 190 | | | |
| | 585,813 | 628,498 | | 585,813 | 628,498 |

Contingency (Note 7)

See accompanying notes.

Approved by the Department:

JAMES LAHEY
Deputy Minister

ALAN WINBERG
Assistant Deputy Minister
Financial and Administrative Services

Government Annuities Account—ContinuedSTATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|--|---------|---------|
| Payments and other charges | | |
| Annuity payments | 75,056 | 78,500 |
| Premium refunds | 409 | 550 |
| Unclaimed annuities | 564 | 511 |
| | 76,029 | 79,561 |
| Income | | |
| Interest from Canada | 40,756 | 43,463 |
| Premiums (Note 3) | 98 | 102 |
| Other | 98 | 79 |
| | 40,952 | 43,644 |
| Excess of payments and other charges over income for the year | 35,077 | 35,917 |
| Actuarial liabilities, balance at begin- ning of the year | 623,876 | 664,415 |
| | 588,799 | 628,498 |
| Actuarial surplus | 2,986 | 4,622 |
| Actuarial liabilities, balance at end of the year (Note 4) | 585,813 | 623,876 |
| Actuarial liabilities are comprised of: | | |
| Deferred annuities, present value | 57,791 | 65,896 |
| Matured annuities, present value | 528,022 | 557,980 |
| | 585,813 | 623,876 |

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|--|----------|----------|
| Funds were provided by (used for): | | |
| Operations | | |
| Excess of payments and other charges over income for the year | (35,077) | (35,917) |
| (Increase) decrease in accrued interest and accounts receivable ... | 2,688 | (1,175) |
| | (32,389) | (37,092) |
| Actuarial deficit recovered from (surplus remitted to) Consolidated Revenue Fund | (7,608) | 54,608 |
| Total funds provided (used) | (39,997) | 17,516 |
| Deposit with Receiver General for Canada, balance at beginning of the year | 584,845 | 567,329 |
| Deposit with Receiver General for Canada, balance at end of the year | 544,848 | 584,845 |

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act* (the "Act"), as modified by the *Government Annuities Improvement Act* (the "Improvement Act").

The purpose of the Act was to assist individuals and groups of Canadians to provide for their later years by purchasing Government Annuities. The *Improvement Act* discontinued future sales of Government Annuity contracts.

The Account is administered by the Department of Human Resources Development and operates through the Consolidated Revenue Fund.

2. Significant accounting policies

(a) Basis of accounting

The accounts of the Government Annuities Account are prepared in accordance with generally accepted accounting principles.

(b) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is reasonably possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

(c) Actuarial liabilities

The method utilised to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

(d) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the calculated amount of actuarial liabilities. The difference represents an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

(e) Interest from Canada

Interest from Canada is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

Government Annuities Account—Concluded

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999—Concluded

(f) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

3. Premiums

Premiums are deposited with the Receiver General for Canada and earn interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*.

4. Actuarial liabilities

The *Government Annuities Act and Regulations* prescribe the basis upon which actuarial values are to be determined. The *Regulations* require the discounting of expected future payments using seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

(a) The actuary, being in this case the Chief Actuary employed by the Department of Human Resources Development, determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Government Annuities program. The Chief Actuary also ensures that the method utilised to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

(b) The auditor expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with generally accepted accounting principles. The auditor also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations. The audit is conducted in accordance with generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

6. Related party transactions

The Account does not record the value of administrative services it receives without charge from the Department of Human Resources Development and other government entities. For the year ended March 31, 1999, the value of the administrative services received from the Department of Human Resources Development amounted to \$2.2 million (1998—\$2.2 million).

7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Government Annuities Account's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Account, including those related to the efforts of government departments or other third parties, will be fully resolved.

**Royal Canadian Mounted Police (Dependants)
Pension Plan**

MANAGEMENT REPORT

The management of the Royal Canadian Mounted Police (Dependants) Pension Plan is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Plan's results of operations and financial situation and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

N. BEACH
Manager

*Public Works and Government Services Canada
RCMP Specialized Services*

J.P.R. MURRAY
*Commissioner
Royal Canadian Mounted Police*

August 17, 1999

AUDITOR'S REPORT

TO THE SOLICITOR GENERAL OF CANADA

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1999 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
August 17, 1999

Royal Canadian Mounted Police (Dependants) Pension Plan—Continued

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31, 1999

| | 1999 | 1998 |
|--|------------|------------|
| | \$ | \$ |
| Net assets available for benefits | | |
| Due from the Consolidated Revenue Fund | 29,690,878 | 28,765,313 |

See accompanying notes to the financial statements.

Approved by:

N. BEACH
Manager
Public Works and Government Services Canada
RCMP Specialized Services

J.P.R. MURRAY
Commissioner
Royal Canadian Mounted Police

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED MARCH 31, 1999

| | 1999 | 1998 |
|--|------------|------------|
| | \$ | \$ |
| Increase in assets | | |
| Interest income on amount due from the Consolidated Revenue Fund | 2,702,215 | 2,686,373 |
| Contributions from participants | 13,718 | 14,358 |
| Total increase in assets | 2,715,933 | 2,700,731 |
| Decrease in assets | | |
| Benefits payments to widows and children | 1,790,368 | 1,508,099 |
| Total decrease in assets | 1,790,368 | 1,508,099 |
| Increase in net assets | 925,565 | 1,192,632 |
| Net assets available for benefits at beginning of year | 28,765,313 | 27,572,681 |
| Net assets available for benefits at end of year | 29,690,878 | 28,765,313 |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1999

1. Description of the plan

The following brief description of the Royal Canadian Mounted Police (Dependants) Pension Plan is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Plan are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

(a) General

The Royal Canadian Mounted Police (Dependants) Pension Plan was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

(b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Plan; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The Act directs the Minister of Finance to have an actuarial valuation of the Plan prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Plan, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Plan.

(c) Interest income

The Government of Canada credits the Plan with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government superannuation accounts.

**Royal Canadian Mounted Police (Dependants)
Pension Plan—Continued**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1999—Continued

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Plan.

i) Widow's pensions

The widow is entitled to the pension purchased by the member. In many cases the pension equals approximately 1.5 percent of the member's final pay multiplied by his years of credited service. The pension is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pay, is payable to each surviving child eligible in accordance with the provisions of the Act at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The Act provides that if the Plan is substantially in excess of the amount required to make adequate provision for the prospective payments to be made out of it, the Governor in Council may, by order, increase the benefits provided under Part IV in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Plan upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan.

Increases and decreases in assets are recorded on the accrual basis. Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

(b) Services provided without charge

The Plan does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- accounting and cheque issue from Public Works and Government Services Canada.

3. Pension obligations

The most recent actuarial valuation was performed as at March 31, 1997 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$8,622,000. A portion of this surplus is to be distributed by annual increases in the basic pension amount of 70 percent effective April 1, 1998, an additional 76 percent effective April 1, 1999, and by increases to lump sum death benefit and residual payments. The cumulative increase to the basic pension amount is 745 percent effective April 1, 1998 and 821 percent effective April 1, 1999.

Royal Canadian Mounted Police (Dependants)**Pension Plan—Concluded**

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999—Concluded

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Plan for the payment of increases (averaging somewhat more than the rate of inflation) in the pension benefits. The average age of the members and widows was estimated to be 76 and 77 years respectively as at March 31, 1997. The expected average remaining lifetime of the widows was about 11 years. The remaining lifetime of the Plan itself was estimated at 42 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future plan yields, mortality rates, proportion of members married, and age of new widows. The current plan yield of 9.69 percent per annum (10.01 percent in 1998) is consistent with the estimated yield (9.55 percent) used for the immediate future in the actuarial valuation. The expected long-term plan yield is estimated to decline to 6.08 percent per annum by the year 2021. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed at March 31, 1999. The actuarial present value of accrued pension benefits as at March 31, 1999 (net of an \$78,000 deduction (\$84,000 in 1998) representing the present value of participants' future instalment payments) and the principal components of changes in the actuarial present value during the year were estimated as follows:

| | 1999 | 1998 |
|--|---------------------------|---------|
| | (in thousands of dollars) | |
| Actuarial present value of accrued pension benefits at beginning of year | 22,591 | 19,755 |
| Net interest accrued on benefits | 2,131 | 2,116 |
| Net adjustment arising from experience gains and losses and from valuation changes | 146 | (622) |
| Amendments to the Plan including dividend increases | | 2,836 |
| Contributions from participants (instalment payments) | 14 | 14 |
| Benefits payments | (1,790) | (1,508) |
| Actuarial present value of accrued pension benefits at end of year | 23,092 | 22,591 |

4. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Plan's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Plan, including those related to the efforts of federal government departments and other third parties, will be fully resolved.

SECTION 7

1998-99

PUBLIC ACCOUNTS OF CANADA

Cash and Accounts Receivable

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Cash in bank | 7.3 |
| Cash in transit | 7.4 |
| Outstanding cheques and warrants | 7.5 |
| Accounts receivable | 7.6 |

CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Cash and Accounts Receivable".

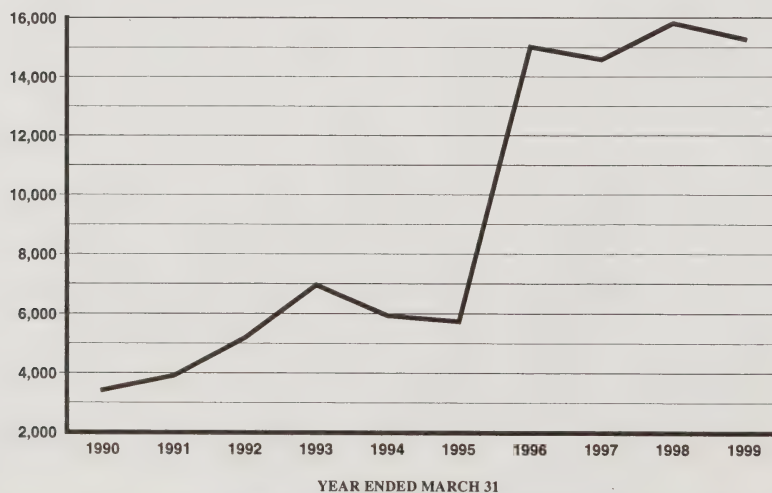
Table 7.1 presents the year-end balances of cash and accounts receivable by category. Chart 7A compares cash and accounts receivable for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 7.1
CASH AND ACCOUNTS RECEIVABLE

| | April 1/1998 | March 31/1999 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Cash in bank, Table 7.2 | 10,378,656,498 | 9,306,224,682 |
| Cash in transit, Table 7.5 | 4,530,389,216 | 5,431,961,593 |
| | <i>14,909,045,714</i> | <i>14,738,186,275</i> |
| Less: outstanding cheques and warrants, Table 7.6 | 3,217,941,571 | 4,044,919,773 |
| Total cash | 11,691,104,143 | 10,693,266,502 |
| Accounts receivable, Table 7.7 | 4,122,170,907 | 4,579,811,283 |
| Total | 15,813,275,050 | 15,273,077,785 |

CHART 7A
CASH AND ACCOUNTS RECEIVABLE
(in millions of dollars)



Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, and German marks.

TABLE 7.2
CASH IN BANK

| | April 1/1998 | March 31/1999 |
|-------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Receiver General— | | |
| Current deposits— | | |
| Canadian currency, Table 7.3 | 10,292,909,205 | 9,275,003,277 |
| Foreign currencies, Table 7.4 | (43,529,440) | (54,531,832) |
| Special deposits | 129,276,733 | 85,753,237 |
| Total | 10,378,656,498 | 9,306,224,682 |

Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

TABLE 7.3
CANADIAN CURRENCY DEPOSITS
(in millions of dollars)

| At end of month of | Year ended March 31 | |
|-----------------------|---------------------|--------|
| | 1999 | 1998 |
| April | 3,741 | 4,836 |
| May | 4,837 | 2,965 |
| June | 5,402 | 3,969 |
| July | 4,825 | 2,896 |
| August | 14,374 | 3,541 |
| September | 5,286 | 2,715 |
| October | 2,037 | 5,398 |
| November | 1,685 | 7,604 |
| December | 9,122 | 11,259 |
| January | 1,687 | 9,137 |
| February | 6,981 | 9,647 |
| March | 9,275 | 10,293 |

TABLE 7.4
FOREIGN CURRENCY DEPOSITS
(translated into Canadian dollars)
(in millions of dollars)

| At end of month of | Year ended March 31 | |
|-----------------------|---------------------|------|
| | 1999 | 1998 |
| April | (20) | 1 |
| May | (20) | 16 |
| June | (25) | 39 |
| July | (31) | 37 |
| August | (7) | 1 |
| September | (64) | (45) |
| October | 18 | (1) |
| November | (6) | (7) |
| December | (20) | 24 |
| January | (10) | 26 |
| February | (15) | (8) |
| March | (55) | (44) |

Receiver General special deposits

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.

Cash in Transit

Table 7.5 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

TABLE 7.5
CASH IN TRANSIT

| | April 1/1998 | March 31/1999 |
|---|---------------|---------------|
| | \$ | \$ |
| Cash in hands of collectors and in transit | 4,283,638,216 | 5,166,280,593 |
| Other cash—Consolidated Crown corporations ⁽¹⁾ | 246,751,000 | 265,681,000 |
| Total | 4,530,389,216 | 5,431,961,593 |

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

TABLE 7.6
OUTSTANDING CHEQUES AND WARRANTS

| | April 1/1998 | March 31/1999 |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| Outstanding cheques | 2,968,092,133 | 3,797,615,834 |
| Imprest account cheques | 1,090,599 | 1,770,880 |
| Employment insurance warrants | 248,758,839 | 245,533,059 |
| Total | 3,217,941,571 | 4,044,919,773 |

Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$14,522,198 was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of \$1,015 was transferred to non-tax revenues.

Employment insurance warrants

This account records outstanding employment insurance benefit warrants.

Accounts Receivable

Accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to a Government body for use of its assets, or from the proceeds for provision of services as of March 31, 1999. Non-tax revenues and revenues netted against expenditures are accounted for in the period the transactions or events give rise to the revenues.

Accounts receivable written off or forgiven are included in Section 3 of Volume II Part II (Statement of debts, obligations and claims written off or forgiven).

Accounts receivable for tax revenues are not recorded in the accounts of Canada. However, these amounts are reported on a memorandum basis and details of the balances are included in Section 4 of Volume II Part II.

Table 7.7 presents a summary of the balances for accounts receivable.

TABLE 7.7

ACCOUNTS RECEIVABLE

| | April 1/1998 | March 31/1999 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Non-tax revenues and revenues netted against expenditures ⁽¹⁾ | 3,703,164,000 | 3,996,873,000 |
| Other receivables | 65,179,907 | 331,137,283 |
| Accounts receivable of consolidated Crown corporations ⁽²⁾ | 353,827,000 | 251,801,000 |
| Total | 4,122,170,907 | 4,579,811,283 |

⁽¹⁾ Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$2,432 million for 1999 (\$2,461 million for 1998).

⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Non-tax revenues and revenues netted against expenditures

This account records accrued financial claims owed to the Government and arising from non-tax revenues and revenues netted against expenditures. These receivables are accounted for in the period in which the transactions or events occurred.

Other receivables

This account records public moneys received after March 31, but applicable to the year just ended. It only includes receipts for refunds of old year budgetary expenditures of departments and agencies, and receipts for repayments of loans by Crown corporations, but only if the related payments were issued and charged to the Crown corporations' books as of March 31.

Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents disclosure of information related to long-term accounts receivable for non-tax revenues and revenues netted against expenditures. A long-term account receivable is defined as an account receivable where settlement is not due for at least 12 months following March 31, 1999.

TABLE 7.8

**LONG-TERM ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

| Categories of accounts receivable | 1999 | | 1998 | |
|---|---------------------------|---------------------------------|-------------------------|-------------------------|
| | Gross accounts receivable | Allowance for doubtful accounts | Net accounts receivable | Net accounts receivable |
| Non-tax revenues— | | | | |
| Return on investments | 564,278 | 194,083 | 370,195 | 439,457 |
| Refunds of previous years' expenditures | 779,128 | 213,396 | 565,732 | 640,737 |
| Service fees | 61 | | 61 | 4 |
| Privileges, licences and permits | 937 | | 937 | 1,446 |
| Miscellaneous | 10,661 | | 10,661 | 3,861 |
| Total long-term accounts receivable | 1,355,065 | 407,479 | 947,586 | 1,085,505 |

Table 7.9 presents the aging for non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) for the period over which claims at March 31, 1999 have been outstanding.

TABLE 7.9

**AGING OF ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

| Categories of accounts receivable | Outstanding days | | | | Total as at March 31, 1999 |
|--|------------------|--------|--------|-----------|-------------------------------|
| | 0—30 | 31—60 | 61—90 | Over 90 | |
| Non-tax revenues— | | | | | |
| Return on investments | 340,088 | 15 | 700 | 22,533 | 363,336 |
| Proceeds from sales | 3,785 | 358 | 326 | 1,171 | 5,640 |
| Refunds of previous years' expenditures | 90,841 | 3,387 | 3,295 | 92,348 | 189,871 |
| Privileges, licences and permits | 25,314 | 546 | 337 | 2,628 | 28,825 |
| Service fees | 43,880 | 8,723 | 3,406 | 63,826 | 119,835 |
| Miscellaneous | 157,001 | 10,152 | 15,256 | 1,107,198 | 1,289,607 |
| Revenues netted against expenditures | 143,309 | 68,674 | 36,923 | 411,688 | 660,594 |
| | 804,218 | 91,855 | 60,243 | 1,701,392 | 2,657,708 |
| Other amounts | | | | | 1,339,165 ⁽¹⁾ |
| Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) | | | | | 3,996,873 |

⁽¹⁾ This amount represents long-term accounts receivable and other amounts, which if included, would cause the aging schedule to be misleading.

SECTION 8

1998-99

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

| | <i>Page</i> |
|--|-------------|
| International reserves held in the Exchange Fund Account . | 8.3 |
| International Monetary Fund—Subscriptions | 8.3 |
| International Monetary Fund—Notes payable | 8.3 |
| Special drawing rights allocations | 8.3 |
| Supplementary statement— | |
| Exchange Fund Account | 8.4 |

FOREIGN EXCHANGE ACCOUNTS

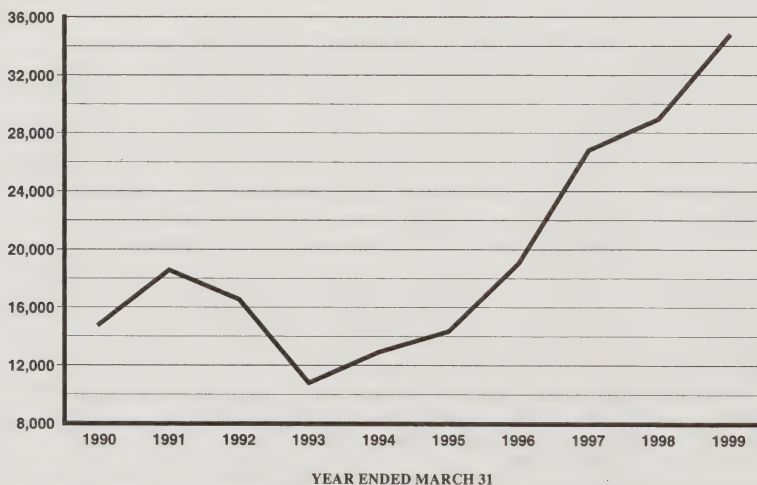
Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenues, and net losses are charged to expenditures of the Department of Finance.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$36,000 million as at March 31, 1999 (\$27,183 million as at March 31, 1998); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables. Chart 8A compares the net foreign exchange accounts for the last ten fiscal years.

TABLE 8.1
FOREIGN EXCHANGE ACCOUNTS

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|--|----------------|-------------------------------|-------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| International reserves held in the Exchange Fund | | | | |
| Account, Table 8.2 | 28,197,658,949 | 99,172,163,295 | 95,514,993,281 | 31,854,828,963 |
| International Monetary Fund—Subscriptions | 8,194,313,010 | 4,853,439,030 | | 13,047,752,040 |
| | 36,391,971,959 | 104,025,602,325 | 95,514,993,281 | 44,902,581,003 |
| Less: | | | | |
| International Monetary Fund—Notes payable | 5,945,996,705 | 1,586,569,682 | 4,279,494,136 | 8,638,921,159 |
| Special drawing rights allocations | 1,478,079,343 | | 118,350,722 | 1,596,430,065 |
| | 7,424,076,048 | 1,586,569,682 | 4,397,844,858 | 10,235,351,224 |
| Total | 28,967,895,911 | 105,612,172,007 | 99,912,838,139 | 34,667,229,779 |

CHART 8A
FOREIGN EXCHANGE ACCOUNTS
(in millions of dollars)



International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 1998, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 1999. Gold held by the Account is valued at 35 SDRs per fine ounce (\$71.70 Cdn as at March 31, 1999 and \$66.38 Cdn as at March 31, 1998).

In 1998-99, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$97,708 million, an adjustment of \$555 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31 and a net valuation adjustment of \$909 million. Receipts and other credits consisted of repayments of advances of \$95,515 million.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

| | March 31/1999 | March 31/1998 |
|--|---------------|---------------|
| US dollar cash on deposits | 159 | 44 |
| US dollar short-term deposits | 4,070 | 4,719 |
| US dollar investments | 20,357 | 20,885 |
| Euro/Deutsche marks short-term deposits | 112 | 268 |
| Euro/Deutsche marks investments | 5,283 | 104 |
| Japanese yen investment | 1,014 | 353 |
| Japanese yen short-term deposits | 1 | 8 |
| Special drawing rights | 689 | 1,608 |
| Gold | 169 | 208 |
| Canadian cash on deposits | 1 | 1 |
| Total | 31,855 | 28,198 |
| Advances by the Consolidated Revenue Fund were denominated as follows: | | |
| US dollars (1999, \$30,166 million US; 1998, \$24,429 million US) | 45,511 | 34,759 |
| Euro | 4,950 | |
| Japanese yen | 635 | |
| Special drawing rights (1999, SDR 610 million; 1998, SDR 40 million) | (1,250) | 73 |
| Canadian dollars | (18,546) | (7,075) |
| Total advances from the Consolidated Revenue Fund | 31,300 | 27,757 |
| Total net income from January 1 to March 31 | 555 | 441 |
| Total | 31,855 | 28,198 |

International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen (the Deutsche mark and French franc were also composite SDR currencies prior to the introduction of the Euro on January 1, 1999).

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 1998-99, payments and other charges consisted of an increase in subscriptions of \$4,235 million, a maintenance of value adjustment of \$363 million and a valuation adjustment of \$255 million.

International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 1998-99, notes payable to the IMF increased by \$2,693 million.

Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 1998-99, payments and other charges consisted of a valuation adjustment of \$118 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies of the Government of Canada set out in Note 2 to the financial statements. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of his audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are part of the Public Accounts and are referred to the Standing Committee on Public Accounts for their review.

GORDON THIESSEN
*Governor
Bank of Canada*

C. SCOTT CLARK
*Deputy Minister
Department of Finance*

F. J. MAHONEY
*Chief Accountant
Bank of Canada*

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 1998 and the statement of revenues for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Account's management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 1998 and its revenues and its cash flows for the year then ended in accordance with the accounting policies of the Government of Canada set out in Note 2 to the financial statements.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 4, 1999

Exchange Fund Account—Continued

BALANCE SHEET AS AT DECEMBER 31, 1998

(in millions of dollars)

| ASSETS | 1998 | | 1997 | | DUE TO THE CONSOLIDATED REVENUE FUND | 1998 | 1997 |
|---|--------|--------|--------|--------|--------------------------------------|--------|--------|
| | US | C | US | C | | C | C |
| Denominated in US dollars | | | | | | | |
| Cash and short-term deposits... | 3,536 | 5,422 | 2,985 | 4,270 | Advances (Note 8)..... | 26,466 | 18,506 |
| Marketable securities (Note 4) .. | 9,327 | 14,301 | 9,089 | 13,002 | Revenues for the year | 1,656 | 1,336 |
| | 12,863 | 19,723 | 12,074 | 17,272 | | | |
| Denominated in other foreign currencies | | | | | | | |
| Cash and short-term deposits (Note 5) | 254 | 390 | 226 | 324 | | | |
| Marketable securities (Note 5) .. | 3,708 | 5,685 | 289 | 413 | | | |
| | 3,962 | 6,075 | 515 | 737 | | | |
| Denominated in special drawing rights | | | | | | | |
| Special Drawing Rights (Note 6) | 1,391 | 2,133 | 1,134 | 1,622 | | | |
| Gold and gold loans (Note 7) .. | 124 | 191 | 148 | 211 | | | |
| | 1,515 | 2,324 | 1,282 | 1,833 | | | |
| Official international reserve assets..... | 18,340 | 28,122 | 13,871 | 19,842 | | 28,122 | 19,842 |

See accompanying notes to the financial statements.

Approved:

GORDON THIESSEN

Governor
Bank of Canada

C. SCOTT CLARK

Deputy Minister
Department of Finance

F. J. MAHONEY

Chief Accountant
Bank of Canada

Exchange Fund Account—Continued

STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 1998
(in millions of Canadian dollars)

| | 1998 | 1997 |
|--|-------|-------|
| Revenue from investments | | |
| Marketable securities | 1,364 | 1,030 |
| Cash and short-term deposits | 257 | 260 |
| Special drawing rights | 69 | 64 |
| Gold | 26 | 23 |
| | 1,716 | 1,377 |
| Other revenue (loss) | | |
| Gain on sales of gold | 253 | |
| Net foreign exchange gains/(losses) | (313) | (41) |
| | (60) | (41) |
| Net revenue for the year due to the Consolidated Revenue Fund | 1,656 | 1,336 |

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister of Finance acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the *Currency Act*.

2. Significant accounting policies

Significant account policies of the Account are set out below. As required by the *Currency Act*, they conform to the stated accounting policies used by the Government of Canada to prepare its financial statements.

(a) Valuation of assets

The estimated fair market value of cash and short-term deposits, which are generally held to maturity, is deemed to be equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts, where applicable, and are reported at the lower of their amortized costs and year-end market values. Purchases and sales of securities are recorded at the settlement dates.

Marketable securities, short-term deposits and Special Drawing Rights (SDRs) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of five major currencies (four after

January 1, 1999 when the German mark and French franc are replaced by the Euro).

Gold and gold loans include accrued interest. Gold and gold loans are carried in the Account at a value of 35 SDRs per fine ounce, which conforms to the value used in the *Public Accounts of Canada*.

(b) Revenue from investments

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Write downs of securities to their year-end market values (if applicable) are recorded as a charge to investment revenue in the year in which they occur.

(c) Gold

Gold sales and net gains on gold sales are recorded at settlement dates. Interest revenue from gold loans is recorded on an accrual basis and is included in revenue. Premiums received on the sales of call options on gold are recorded in revenue.

(d) Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies and SDRs are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

| | Canadian dollars | |
|-----------------------------|------------------|---------|
| | 1998 | 1997 |
| US dollar | 1.53330 | 1.43050 |
| Japanese yen | 0.01350 | 0.01096 |
| German mark | 0.91910 | 0.79580 |
| French franc | 0.27410 | 0.23740 |
| Special Drawing Right | 2.15700 | 1.93010 |

Foreign exchange gains or losses result from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the year. Unrealized foreign exchange gains or losses on short-term currency swap arrangements with the Bank of Canada and on currency hedges are recorded in revenue as *Net foreign exchange gains (losses)*. See also Note 9.

The reported amount at year-end of assets that are hedged against exchange rate fluctuations includes unrealized gains or losses on the translation of the related outstanding hedge contracts. See also Notes 5 and 9.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

Exchange Fund Account—ContinuedNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998—Continued*(e)* Disposition of revenues

The revenues for the year are payable to the Consolidated Revenue Fund of the Government of Canada within three months after the end of the year in accordance with the *Currency Act*.

(f) Services received without charge

The Account receives without charge, administrative, custodial and fiscal agency services from the Bank of Canada.

(g) Interest-free advances

The Account receives interest-free advances from the Consolidated Revenue Fund.

3. Official government operations

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar, or to meet net government requirements for foreign exchange. During the year, US\$ 10,467 million (net) in official international reserves were used for these operations (US\$ 4,848 million (net) in 1997). Of these, transactions during the year aimed at moderating movements in the value of the Canadian dollar comprised sales of foreign currency of US\$ 9,063 million (US\$ 5,326 million in 1997) and purchases of foreign currency of US\$ 51 million (US\$ 1,665 million in 1997).

4. Marketable securities denominated in US dollars

| Securities | 1998 | | | 1997 | | |
|--|--------------------------|----------------|--------|-----------|----------------|--------|
| | Par value | Amortized cost | | Par value | Amortized cost | |
| | US | US | C | US | US | C |
| | (in millions of dollars) | | | | | |
| US Government | 5,482 | 5,645 | 8,656 | 6,662 | 6,723 | 9,617 |
| US Federal Agencies | 1,856 | 1,855 | 2,844 | 1,178 | 1,166 | 1,669 |
| Sovereign paper and International Institutions | 1,704 | 1,713 | 2,626 | 1,124 | 1,117 | 1,598 |
| Accrued interest | | 114 | 175 | | 83 | 118 |
| | 9,042 | 9,327 | 14,301 | 8,964 | 9,089 | 13,002 |
| Estimated market value | | 9,524 | 14,603 | | 9,200 | 13,160 |

Estimated market values are based on quoted market prices.

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998—Continued

At year-end, a portion of the Account's holdings of US Government securities consisting of US\$ 2,350 million (par values) in Treasury Notes (US\$ 2,250 million in 1997) and US\$ 425 million in US Treasury Bills (US\$ 525 million in 1997) were being used in securities lending operations with financial institutions. Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral of equal or greater value from their approved counterparties in these transactions.

5. Assets denominated in other foreign currencies

| | Cash and Short-Term Deposits | | | |
|------------------------|------------------------------|-----|------|-----|
| | 1998 | | 1997 | |
| | US | C | US | C |
| | (in millions of dollars) | | | |
| German marks | 252 | 386 | 224 | 322 |
| French francs | 1 | 2 | | |
| Japanese yen | 1 | 1 | 1 | 1 |
| Accrued interest | | 1 | 1 | 1 |
| | 254 | 390 | 226 | 324 |

| | Marketable Securities | | | |
|--|--------------------------|-------|------|-----|
| | 1998 | | 1997 | |
| | US | C | US | C |
| | (in millions of dollars) | | | |
| German Government | 2,747 | 4,211 | 26 | 37 |
| French Government | 715 | 1,097 | | |
| Japanese Government | 246 | 377 | 263 | 376 |
| Amortized cost at year end | 3,708 | 5,685 | 289 | 413 |
| Estimated market value at year-end | 3,864 | 5,925 | 290 | 415 |

Estimated market values are based on quoted market prices.

The Account hedges the US dollar value of some of its holdings of assets denominated in other foreign currencies by entering into forward foreign exchange contracts. As a result of these operations, the Account had year-end commitments for net forward sales of 832 million German marks (463 million in 1997) and 35 billion Japanese yen (30 billion in 1997), against net forward purchases totalling US\$ 495 million (US\$ 264 million in 1997) and US\$ 279 million (US\$ 255 million in 1997), respectively. Unrealized exchange losses of C\$ 53 million (gains of C\$ 45 million in 1997) resulting from these hedging operations are included in the year-end value of the Account's holdings of German marks and Japanese yen and in revenue as *Net foreign exchange gains (losses)*. See also Note 9.

6. Special Drawing Rights (SDRs)

| | 1998 | | 1997 | |
|-----------------------------------|--------------------------|-------|-------|-------|
| | US | C | US | C |
| | (in millions of dollars) | | | |
| Held at the end of the year | 1,384 | 2,123 | 1,126 | 1,610 |
| Accrued interest | 7 | 10 | 8 | 12 |
| | 1,391 | 2,133 | 1,134 | 1,622 |

7. Gold and gold loans

During the year, the Account sold 600,000 fine ounces of gold.

| | 1998 | | 1997 | |
|--------------------------------------|--------------------------|-----|------|-----|
| | US | C | US | C |
| | (in millions of dollars) | | | |
| Held at the end of the year | | | | |
| Gold loans | 117 | 180 | 141 | 201 |
| Gold | 5 | 8 | 5 | 7 |
| Accrued interest on gold loans | 2 | 3 | 2 | 3 |
| | 124 | 191 | 148 | 211 |

The year-end carrying values and market values (based on London fixings) of gold and gold loans, excluding accrued interest, are:

| | 1998 | | 1997 | |
|--------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Price per fine ounce | Total value in millions | Price per fine ounce | Total value in millions |
| | | | | |
| Carrying value —US | 49.24 | 122 | 47.22 | 146 |
| —Canadian .. | 75.50 | 188 | 67.55 | 208 |
| Market value —US | 287.45 | 715 | 289.20 | 893 |
| —Canadian .. | 440.75 | 1,096 | 413.70 | 1,277 |

8. Due to the Consolidated Revenue Fund (CRF)—Advances

The Account is funded by advances from the CRF. Advances are limited to C\$ 35 billion by Order-in-Council. At year-end, advances from (deposits with) the CRF consisted of:

| | 1998 | 1997 |
|----------------------------------|-----------------------------------|--------------|
| | (in millions of Canadian dollars) | |
| US dollars | 45,951 | 26,839 |
| Canadian dollars | (24,340) | (8,407) |
| German marks | 3,676 | |
| French francs | 1,096 | |
| Special Drawing Rights | 83 | 74 |
| | <hr/> 26,466 | <hr/> 18,506 |

Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998—*Concluded*

The proceeds of Canada's borrowings in foreign currencies and allocations of SDRs by the IMF have been advanced from the CRF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

Canadian dollar advances are required by the Account for the settlement of its purchases of foreign currencies. Sales of foreign currencies result in receipts of Canadian dollars that are remitted to the CRF, causing reductions in the level of outstanding Canadian dollar advances. Cumulative net sales of foreign currencies can result in overall net deposits of Canadian dollars by the Account with the CRF.

9. Commitments

(a) Currency swaps

The Account enters into short-term currency swap arrangements with the Bank of Canada. The objective of these swaps is to assist the Bank in its cash management operations. Under these agreements, the Account sells US government securities denominated in US dollars for Canadian dollars, with simultaneous agreements to repurchase these securities from the Bank on future dates at the same exchange rates in effect at the time the swaps were entered into. The maximum term of the swaps is equivalent to the term of the underlying securities; however, they are generally reversed earlier based on operational requirements of the Bank.

These swaps result in receipts of Canadian dollars by the Account, which are remitted to the Consolidated Revenue Fund. These transactions are reversed when the swaps mature.

At year-end, the Account had commitments to repurchase US dollars securities under swap arrangements with the Bank of Canada of US\$ 2,941 million (US\$ 2,430 million in 1997). The Canadian dollar equivalent at the year-end exchange rate was \$ 4,509 million (\$ 3,476 million in 1997).

(b) Currency hedges and other uncompleted transactions

Hedges of the Account's holdings of German marks and Japanese yen resulted in year-end commitments for net forward sales of 832 million German marks (463 million in 1997) and 35 billion Japanese yen (30 billion in 1997), against total net forward purchases of US\$ 774 million (US\$ 519 million in 1997). The maturity dates of these contracts extend until June 1999.

(c) Gold options and forward contracts

The Minister of Finance has authorized the sale of call options, as well as forward sales, on part of the Account's gold holdings.

Under gold options, the Account receives a premium against commitments to sell gold at predetermined prices. No gold is sold unless the holders of the options exercise their rights by the expiry dates. At year-end, the Account had outstanding commitments to sell 200,000 fine ounces of gold under call option contracts (90,000 fine ounces in 1997) with a potential total value, if the options were exercised, of US\$ 63 million (US\$ 31 million in 1997). These options mature by the end of the first quarter in 1999.

Under forward contracts, the Account is committed to sell gold at predetermined prices on future dates. At year-end, the Account had outstanding commitments to sell 270,000 fine ounces of gold (444,000 fine ounces in 1997) for a total value of US\$ 82 million (US\$ 152 million in 1997). The dates of these contracts extend until August 1999.

10. Uncertainty due to the Year 2000 issue

The Year 2000 computer issue arises chiefly because many date-sensitive automated systems have not been designed to recognize correctly the year 2000. This represents a significant challenge for all organizations. If not addressed properly, the Year 2000 issue could have an impact on operations and financial reporting, ranging from minor errors to the failures of critical systems. The effects of the Year 2000 issue could be experienced before, as well as on or after, January 1, 2000.

The Bank of Canada, the fiscal agent for the Account, has a business plan for dealing with the Year 2000 issue. The objectives of that plan are to ensure that the Bank's critical internal systems will function properly, to co-ordinate with business partners the testing of shared systems, and to ensure that appropriate contingency plans are in place in the event of disruptions or system failures. Since 1997, the Bank has had a team assigned solely to implementation of the plan, which entails the overall management, direction and support of Year 2000 initiatives.

However, it is not possible to be certain that all aspects of the Year 2000 issue, including those related to the efforts of financial institutions or other third parties, will be fully resolved.

SECTION 9

1998-99

PUBLIC ACCOUNTS OF CANADA

Loans, Investments and Advances

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Enterprise Crown corporations and other government business enterprises | 9.5 |
| Summary financial statements of enterprise Crown corporations and other government business enterprises | 9.12 |
| Borrowings by agent enterprise Crown corporations | 9.18 |
| Borrowings by enterprise Crown corporations and other government business enterprises | 9.19 |
| Maturity and currency of borrowings by enterprise Crown corporations and other government business enterprises | 9.19 |
| Contingent liabilities of enterprise Crown corporations and other government business enterprises | 9.20 |
| Financial assistance under budgetary appropriations to enterprise Crown corporations and other government business enterprises | 9.21 |
| Joint and mixed enterprises | 9.22 |
| National governments including developing countries | 9.23 |
| International organizations | 9.29 |
| Provincial and territorial governments | 9.35 |
| Other loans, investments and advances | 9.39 |
| Allowance for valuation | 9.48 |

LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenues, while net losses are charged to expenditures of the Department of Finance.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

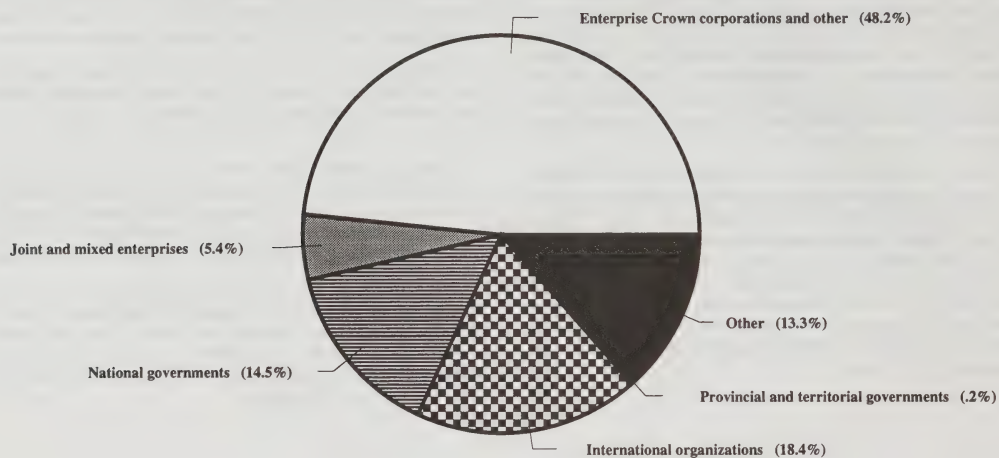
Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|-----------------------|-------------------------------|-------------------------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Enterprise Crown corporations and other government business enterprises, Table 9.2 | 12,600,799,917 | 1,194,999,040 | 2,743,463,646 | 11,052,335,311 |
| Joint and mixed enterprises, Table 9.11 | 1,239,917,574 | | | 1,239,917,574 |
| National governments including developing countries, Table 9.12 | 2,859,482,778 | 832,135,827 | 355,562,899 | 3,336,055,706 |
| International organizations, Table 9.13 | 4,010,412,273 | 1,028,844,558 | 819,857,855 | 4,219,398,976 |
| Provincial and territorial governments, Table 9.14 | 318,157,249 | 123,189,772 | 393,407,828 | 47,939,193 |
| Other loans, investments and advances, Table 9.15 | 2,273,269,940 | 2,089,566,220 | 1,310,473,248 | 3,052,362,912 |
| | 23,302,039,731 | 5,268,735,417 | 5,622,765,476 | 22,948,009,672 |
| Less: allowance for valuation | 9,266,283,660 | | 145,716,340 | 9,412,000,000 |
| Total | 14,035,756,071 | 5,268,735,417 | 5,768,481,816 | 13,536,009,672 |

CHART 9A

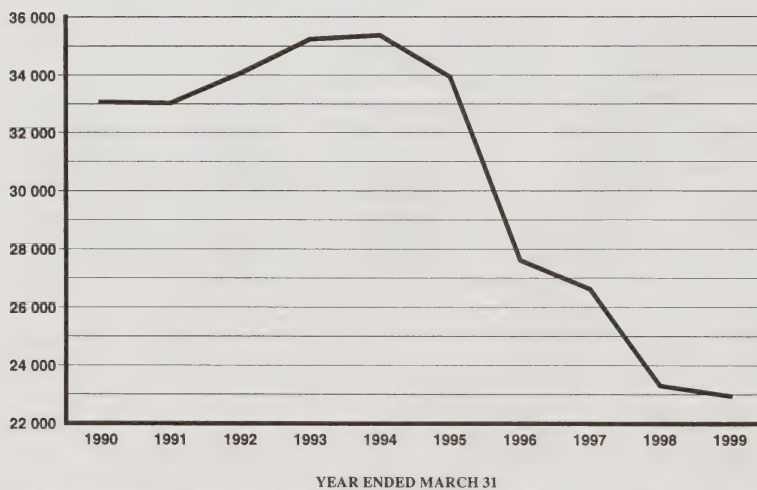
LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AS AT MARCH 31, 1999 ⁽¹⁾



⁽¹⁾ Before the allowance for valuation

CHART 9B

LOANS, INVESTMENTS AND ADVANCES ⁽¹⁾
(in millions of dollars)



⁽¹⁾ Before the allowance for valuation

Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations.

Enterprise Crown corporations are a type of government business enterprises that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada.

Commencing this year, there is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and ultimately accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the Port Authorities of Halifax, Montreal and Vancouver.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Financial statements of parent enterprise Crown corporations can be found in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. The financial statements of wholly-owned subsidiaries of enterprise Crown corporations are also included in that report whenever their accounts are not consolidated with those of the parent corporation. These financial statements are appended to those of the related parent enterprise Crown corporation.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

TABLE 9.2

ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|----------------|-------------------------------|-------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Business Development Bank of Canada— | | | | |
| Common shares | 303,400,000 | | | 303,400,000 |
| Preferred shares | 100,000,000 | 50,000,000 | | 150,000,000 |
| | 403,400,000 | 50,000,000 | | 453,400,000 |
| Canada Deposit Insurance Corporation | 395,000,000 | | 395,000,000 | |
| Canada Mortgage and Housing Corporation— | | | | |
| Capital stock | 25,000,000 | | | 25,000,000 |
| Housing | 4,153,917,198 | | 95,255,100 | 4,058,662,098 |
| Real estate | 240,297,733 | | 149,141,317 | 91,156,416 |
| Joint projects | 1,351,550,359 | | 113,940,916 | 1,237,609,443 |
| Urban renewal scheme | 128,934 | | 102,155 | 26,779 |
| Student housing projects | 284,046,505 | | 8,898,879 | 275,147,626 |
| Sewage treatment projects | 635,495,306 | | 39,563,856 | 595,931,450 |
| Ownership assistance | 42,787,374 | | 3,055,216 | 39,732,158 |
| | 6,733,223,409 | | 409,957,439 | 6,323,265,970 |
| Export Development Corporation | 983,200,000 | | | 983,200,000 |
| Farm Credit Corporation— | | | | |
| Contributed capital | 1,168,333,000 | | | 1,168,333,000 |
| Notes | 1,867,847,256 | 750,000,000 | 1,577,182,957 | 1,040,664,299 |
| Farm syndicates loan fund | 9,201,098 | | 9,067,033 | 134,065 |
| | 3,045,381,354 | 750,000,000 | 1,586,249,990 | 2,209,131,364 |
| Other— | | | | |
| Bank of Canada | 5,920,000 | | | 5,920,000 |
| Canada Development Investment Corporation | 395,658,315 | | | 395,658,315 |
| Canada Hibernia Holding Corporation— | | | | |
| Contributed surplus | 419,290,010 | 11,685,040 | | 430,975,050 |
| Canada Lands Company Limited | | 75,299,000 | 35,052,836 | 40,246,164 |
| Canada Ports Corporation— | | | | |
| Loans | 280,303 | | 87,667 | 192,636 |
| Interport Loan Fund | 43,682,462 | | | 43,682,462 |
| Contributed capital | | 90,000,000 | | 90,000,000 |
| | 43,962,765 | 90,000,000 | 87,667 | 133,875,098 |
| Canada Post Corporation | 80,000,000 | | 80,000,000 | |
| Canadian Dairy Commission | 53,500,000 | 198,015,000 | 228,729,000 | 22,786,000 |
| Cape Breton Development Corporation | | 20,000,000 | 7,662,000 | 12,338,000 |
| Montreal Port Authority | | 1,539,350 | | 1,539,350 |
| Montreal Port Corporation | 2,241,799 | (1,539,350) | 702,449 | |
| Royal Canadian Mint— | | | | |
| Capital stock | 40,000,000 | | | 40,000,000 |
| Loans | 22,265 | | 22,265 | |
| | 40,022,265 | | 22,265 | 40,000,000 |
| | 1,040,595,154 | 394,999,040 | 352,256,217 | 1,083,337,977 |
| Total | 12,600,799,917 | 1,194,999,040 | 2,743,463,646 | 11,052,335,311 |

Business Development Bank of Canada

The Corporation was established by the *Business Development Bank of Canada Act*, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Industry, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid dividends of \$6 million to the Government.

Common shares

This account records the Government's investment in the common shares of the Corporation.

Preferred shares

During the year, the Government purchased \$50 million of preferred shares of the Corporation pursuant to section 23 of the *Business Development Bank of Canada Act*, bringing total preferred shares purchased to date to \$150 million.

Canada Deposit Insurance Corporation

The Corporation was established by the *Canada Deposit Insurance Corporation Act*, to provide insurance, up to \$60,000 per depositor per institution, on deposits with federal member institutions and approved provincial institutions.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Section 10.1 of the *Canada Deposit Insurance Corporation Act* provides that the Minister of Finance, with the approval of the Governor in Council, may advance to the Corporation amounts by way of loans on such terms and conditions as the Governor in Council may determine. The aggregate of such loans authorized to be outstanding at any time is \$6,000,000,000.

During the year, the loans were repaid in full.

The Corporation paid interest of \$15 million to the Government in 1998-99.

Canada Mortgage and Housing Corporation

The Corporation was established by the *Canada Mortgage and Housing Corporation Act*, to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions in Canada, and to promote the development of communities through the provision of infrastructure facilities.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid interest of \$591 million to the Government.

Capital stock

The Government's investment in the capital of the Corporation is authorized by section 16 of the *Canada Mortgage and Housing Corporation Act*.

Housing

Advances have been made to enable the Corporation to lend money under the following sections and subsections of the *National Housing Act*:

- (a) Subsection 24(1)—for rental housing projects on the security of a first mortgage and to sell or purchase loans made on rental housing projects;
- (b) Subsection 26(1)—to any person to assist in
 - (i) the construction, purchase or improvement of a low-rental housing project;
 - (ii) the purchase of existing buildings and the land upon which they are situated and their conversion into a low-rental housing project; or,

- (iii) the conversion of existing buildings into a low-rental housing project;

- (c) Section 27.5 (*R.S.C., 1970*)—to municipalities for selected neighbourhoods for the purpose of improving premises within the neighbourhood in respect of which the contribution is made;

- (d) Subsection 51(1)—

- (i) to the owner of a family housing unit or of housing accommodation of the hostel or dormitory type for the purpose of assisting in the repair, rehabilitation or improvement thereof;
- (ii) to an occupier of a family housing unit for the purpose of assisting in the repair, rehabilitation or improvement thereof; or,

- (iii) to a non profit corporation for the purpose of assisting in the conversion of an existing residential building owned by the corporation, to a building containing a different number of family housing units, housing accommodation of the hostel or dormitory type or a different number of hostel or dormitory beds;

- (e) Subsection 61(1)—to cooperatives for the purpose of assisting in the construction, acquisition or improvement of a housing project;

- (f) Subsection 76(1)—to any person that wishes to undertake a project

- (i) for individuals or families of low income; or,

- (ii) to meet the needs of individuals resulting from age, infirmity or other disability;

- (g) Subsection 80(1)—to provinces, municipalities or public housing agencies to assist in the acquisition and the servicing of land for housing purposes;

- (h) Subsection 81(1)—to a province, municipality or public housing agency for the construction or acquisition of a public housing project;

- (i) Subsection 97(1)—to persons to whom a loan is not being made available pursuant to Part I of section 24, the Corporation may make such a loan subject to the same terms, conditions and limitations that exist under Part I of section 24; and,

- (j) Section 98—to Indians to assist in the purchase, improvement or construction of housing projects on Indian reserves.

The advances bear interest at rates from 3.75 percent to 16.10 percent per annum, and are repayable over the remaining period of 39 years, with instalments between June 30, 1999 and September 30, 2037.

Real estate

Subsection 92(1) of the *National Housing Act* authorizes advances to: (a) acquire land or housing projects by way of purchase, lease or otherwise; (b) install services in and effect improvements to or in respect of land acquired, and develop and lay out such land for housing purposes; (c) construct, convert or improve housing projects; and, (d) acquire building materials and equipment and other personal property for use in connection with housing projects.

The advances bear interest at rates from 8.43 percent to 15 percent per annum, and are repayable over the remaining period of 39 years, with the final instalment on December 30, 2037.

Joint projects

Subsection 79(1) of the *National Housing Act* authorizes advances to undertake projects jointly with the government of any province or any agency thereof, for (a) the acquisition and development of land for housing purposes or for any purpose incidental thereof; (b) the construction of housing projects or housing accommodation of the hostel or dormitory type for sale or for rent; and, (c) the acquisition, improvement and conversion of existing buildings for a housing project or for housing accommodation of the hostel or dormitory type.

The advances bear interest at rates from 3 percent to 18 percent per annum, and are repayable over the remaining period of 41 years, with instalments between June 30, 1999 and December 31, 2039.

Urban renewal scheme

Advances have been made to enable the Corporation to lend money under subsection 25(1) (*R.S.C., 1970*) of the *National Housing Act*, to a province or municipality, to assist in the implementation of an urban renewal scheme.

The advances bear interest at a rate of 7.19 percent per annum, and are repayable in 1999, with instalments between June 30, 1999 and December 31, 1999.

Student housing projects

Advances have been made to enable the Corporation to lend money under subsection 88(1) of the *National Housing Act*, to a province or an agency thereof, a municipality or an agency thereof, or a hospital, school board, university, college, cooperative association or charitable corporation, to assist in (a) the construction, acquisition or improvement of a student housing project; (b) the acquisition of existing buildings and their conversion into a student housing project; or, (c) the conversion of existing buildings into a student housing project.

The advances bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over the remaining period of 32 years, with instalments between June 30, 1999 and September 30, 2030.

Sewage treatment projects

Advances have been made to enable the Corporation to lend money under section 53 (*R.S.C., 1970*) of the *National Housing Act*, to any province, municipality or municipal sewage corporation, to assist in the establishment or expansion of a sewage treatment project, and in the construction of a trunk storm sewer system.

The advances bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over the remaining period of 25 years, with instalments between June 30, 1999 and March 31, 2023.

Ownership assistance

Advances have been made to enable the Corporation to lend money under subsections 57(1) and 58(1) of the *National Housing Act*, to assist in (a) the construction of a house or a condominium unit by a person who owns the house or condominium unit and intends to occupy the house, one of the family housing units thereof or the condominium unit, or by a builder who intends to sell the house or condominium unit to a person who will own and occupy the house, one of the family housing units thereof or the condominium unit; or, (b) the acquisition of a house or condominium unit by a prospective qualified owner.

The advances bear interest at rates from 8.58 percent to 8.75 percent per annum, and are repayable over the remaining period of 10 years, with instalments between June 30, 1999 and December 31, 2008.

Export Development Corporation

The Corporation was established by the *Export Development Act*, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Minister for International Trade, and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation, as authorized by subsection 11(1) of the *Export Development Act*, shall not exceed, at any time, \$1,500,000,000.

Farm Credit Corporation

The Corporation was established by the *Farm Credit Corporation Act*, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Contributed capital

The Government's contribution to the capital of the Corporation is authorized by subsection 11(1) of the *Farm Credit Corporation Act*.

Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to section 12 of the *Act*, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twelve times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 9.91 percent per annum, with final instalments between November 30, 1999 and December 1, 2009, \$481,155,137; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 6.69 percent to 9.78 percent per annum, with final instalments between April 14, 1999 and April 4, 2003, \$559,509,162.

During the year, the Corporation paid interest of \$132 million to the Government.

Farm syndicates loan fund

Advances have been made by the Minister of Finance, pursuant to section 8 of the *Farm Syndicates Credit Act*, to enable the Corporation to make loans. Subsection 3(1) of the *Act* allowed the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;
- (b) the purchase, erection or improvement of buildings; or,
- (c) the purchase or improvement of land on which buildings were or were to be erected for use primarily by the syndicate or its members, in their farming operations.

The *Farm Syndicates Credit Act* was repealed in 1993-94. This account will remain open for repayments.

The remaining loans bear interest at the rate of 9.555 percent per annum, and are repayable over 10 to 19 years, with final instalment on February 26, 2001.

During the year, the Corporation paid interest of \$0.4 million to the Government.

Bank of Canada

The Bank of Canada was established by the *Bank of Canada Act*, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by section 17 of the *Bank of Canada Act*. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Bank remitted profit of \$1,703.8 million to the Government.

Canada Development Investment Corporation

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part II of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 101 common shares of the Corporation without nominal or par value.

Canada Hibernia Holding Corporation—Contributed surplus

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*. It is a wholly-owned subsidiary of the Canada Development Investment Corporation.

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. To honor its obligations to fund the Project, the Corporation receives financial assistance from the Government. Such financial assistance is treated as contributed surplus.

During the year, payments totalling \$11,685,041 were made to the Canada Hibernia Development Corporation as authorized by Finance Vote L15, *Appropriation Acts No. 1 and No. 2, 1998-99*.

Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation is not an agent of Her Majesty, reports through the Minister of Public Works and Government Services and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Corporation conducts its business through Canada Lands Company (CLC) Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes of \$75.3 million, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value of \$39.6 million. An amount of \$5.3 million was repaid during the year and an amount of \$6.3 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

During the year, CLC paid dividends of \$47 million to the Government.

Canada Ports Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans

Under the authority of the *Canada Ports Corporation Act*, loans are made to finance capital expenditures of various harbours under the jurisdiction of the Canada Ports Corporation.

The remaining loan to Belledune bears interest at a rate of 6.44 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

The Corporation paid interest of \$18,052 and dividends of \$990,476 to the Government in 1998-99.

Interport Loan Fund

This Fund was established to provide financing for financially viable capital projects of the Corporation and of the seven local port corporations.

The aggregate amount of loans authorized to be outstanding, at any time, is not to exceed \$50,000,000.

The Corporation will make annual repayments equal to 90 percent of the net income related to each of the loans advanced to the Interport Loan Fund.

During the year, the Corporation transferred \$2.9 million of profit to the Government.

Contributed capital

During the year, under the authority of the *Canada Ports Corporation Act*, an equity injection of \$90 million was made in Canada Ports Corporation to increase its contributed capital for the acquisition of shares in Ridley Terminals Inc., a wholly-owned subsidiary of the Corporation for the purpose of debt restructuring.

The Government's contribution to the capital of the Corporation was authorized under Transport Vote L29c, *Appropriation Act No. 5, 1998-99*.

Canada Post Corporation

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

A loan was made to the Corporation pursuant to section 29 of the *Canada Post Corporation Act*, to finance capital expenditures. The aggregate amount of loans to be outstanding at any time shall not exceed \$500,000,000.

During the year, the loan was repaid in full and the Corporation returned \$200 million of contributed capital.

The Corporation paid interest of \$3.9 million and dividends of \$12 million to the Government in 1998-99.

Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 3.0183 percent to 5.3862 percent per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$2.7 million to the Government.

Cape-Breton Development Corporation

The Corporation was established by the *Cape Breton Development Corporation Act*, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Natural Resources, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$50,000,000.

The working capital advances bear interest at the rate in effect, as determined by the Minister of Finance.

During the year, the Corporation paid interest of \$58,461 to the Government and owed, at March 31, 1999, an additional \$182,431 in interest.

Montreal Port Authority

As of March 1, 1999, the Montreal Port Authority was established by the *Canada Marine Act* to take over the management of the Port of Montreal. The Corporation is a non-share capital corporation, with a majority of directors nominated in consultation with port users as well as representatives appointed by the federal, provincial and municipal governments.

The new Corporation, which is not a Crown corporation within the meaning of the *Financial Administration Act*, is nonetheless considered a government business enterprise and is therefore part of the reporting entity of the Government. The Corporation reports through the Minister of Transport and is an agent of the Crown for its port activities.

On March 1, 1999, the Port authority assumed the loan previously borne by the Montreal Port Corporation to finance capital expenditures related to the Port of Montreal. The remaining loan bears interest at the rate of 6.25 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

Montreal Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the port of Montreal. By virtue of the *Canada Marine Act*, the Corporation ceased operations on February 28, 1999 and transferred its activities to the Montreal Port Authority.

Before its dissolution, the Corporation was an agent of Her Majesty reported through the Minister of Transport, and was listed in Part II of Schedule III of the *Financial Administration Act*.

Loans had been made to the Corporation to finance capital expenditures related to the Port of Montreal. At the dissolution of the Corporation, the balance of the loan of \$1,539,350 was transferred to be assumed by the Montreal Port Authority.

Before its dissolution, the Corporation paid interest of \$140,112 and dividends of \$3.6 million to the Government.

Royal Canadian Mint

The Corporation was established by the *Royal Canadian Mint Act*, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Capital stock

Subsection 3.1(1) of the *Royal Canadian Mint Act* states that the authorized capital of the Mint is \$40,000,000, divided into four thousand shares of ten thousand dollars each. All authorized capital is issued.

Loans

Subsection 17(1) of the *Act* states that the Mint may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed \$75,000,000.

Subsection 17(3) of the *Act* states that the Mint shall not borrow money without the approval of the Minister of Finance with respect to the time and the terms and conditions of the transaction.

During the year, the remaining loan was repaid in full.

The Corporation paid interest of \$354 to the Government in 1998-99.

Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations included in Part II of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having other year ends, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations financial information on unconsolidated wholly-owned subsidiaries and other government business enterprises. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 1999 is presented in Table 9.6.

A summary of borrowing transactions by non-agent enterprise Crown corporations and other government business enterprises is presented in Table 9.7. The maturity and currency of enterprise Crown corporations' and other government business enterprises borrowings are presented in Table 9.8. Contingent liabilities of enterprise Crown corporations and other government business enterprises are presented in Table 9.9.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations and other government business enterprises for the year ended March 31, 1999 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

| | Competitive, self-sustaining | Bank of Canada | Lending and insurance | Marketing | Other | Total |
|---|---------------------------------|-------------------|--------------------------|-----------|-----------|-------------|
| ASSETS AND LIABILITIES | | | | | | |
| AS AT MARCH 31, 1999 | | | | | | |
| Assets | | | | | | |
| Financial | | | | | | |
| Outside parties | 1,483,793 | 2,217,991 | 45,184,098 | 7,282,105 | 76,798 | 56,244,785 |
| Government and Crown corporations | 936,689 | 30,346,157 | 4,209,721 | 136 | 3,978 | 35,496,681 |
| Total financial assets | 2,420,482 | 32,564,148 | 49,393,819 | 7,282,241 | 80,776 | 91,741,466 |
| Physical assets and deferred charges | 3,421,725 | 234,436 | 581,566 | 996,901 | 123,154 | 5,357,782 |
| Total assets | 5,842,207 | 32,798,584 | 49,975,385 | 8,279,142 | 203,930 | 97,099,248 |
| Liabilities | | | | | | |
| Outside parties | | | | | | |
| Borrowings | 773,519 | | 32,140,160 | 6,792,329 | 4,508 | 39,710,516 |
| Bank of Canada notes in circulation and amounts owing to depositors | | 25,513,873 | | | | 25,513,873 |
| Other liabilities | 1,919,680 | 7,083,012 | 5,753,336 | 1,431,810 | 403,218 | 16,591,056 |
| Government and Crown corporations | 286,464 | 171,699 | 8,843,435 | 31,836 | 163,108 | 9,496,542 |
| Total liabilities | 2,979,663 | 32,768,584 | 46,736,931 | 8,255,975 | 570,834 | 91,311,987 |
| Equity of Canada | 2,862,544 | 30,000 | 3,238,454 | 23,167 | (366,904) | 5,787,261 |
| Total liabilities and equity | 5,842,207 | 32,798,584 | 49,975,385 | 8,279,142 | 203,930 | 97,099,248 |
| Contingent liabilities | 57,287 | | 1,925,542 | | | 1,982,829 |
| REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY | | | | | | |
| FOR THE YEAR ENDED MARCH 31, 1999 | | | | | | |
| Revenues | | | | | | |
| Outside parties | 6,184,105 | | 4,658,339 | 5,862,450 | 267,475 | 16,972,369 |
| Government and Crown corporations | | | | | | |
| Financial assistance | | | | 10,443 | 40,662 | 51,105 |
| Other | 322,853 | 1,703,840 | 287,760 | | 3,268 | 2,317,721 |
| Total revenues | 6,506,958 | 1,703,840 | 4,946,099 | 5,872,893 | 311,405 | 19,341,195 |
| Expenses | | | | | | |
| Outside parties | 6,105,121 | | 3,161,908 | 5,866,476 | 569,237 | 15,702,742 |
| Government and Crown corporations | 300,922 | | 795,726 | 5,767 | 22,799 | 1,125,214 |
| Total expenses | 6,406,043 | | 3,957,634 | 5,872,243 | 592,036 | 16,827,956 |
| Net income/loss(-) for the year | 100,915 | 1,703,840 | 988,465 | 650 | (280,631) | 2,513,239 |
| Equity of Canada, beginning of the year | 2,921,477 | 30,000 | 2,156,633 | 17,517 | 498,008 | 5,623,635 |
| Adjustments | (3,061) | | 49,365 | | (28,995) | 17,309 |
| Equity transactions with the Government— | | | | | | |
| Dividends | (265,302) | (1,703,840) | (6,009) | | (444) | (1,975,595) |
| Capital | 108,515 | | 50,000 | 5,000 | (554,842) | (391,327) |
| Equity of Canada, end of the year | 2,862,544 | 30,000 | 3,238,454 | 23,167 | (366,904) | 5,787,261 |

Notes to Table 9.4 are an integral part of this table.

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS AND LIABILITIES AS AT MARCH 31, 1999
(in thousands of dollars)

| | Assets | | | Total assets |
|--|-------------------|-----------------------------------|--------------------------------------|-------------------|
| | Financial | Government and Crown corporations | Physical assets and deferred charges | |
| Enterprise Crown corporations and other government business enterprises ⁽¹⁾ | Outside parties | | | |
| Competitive, self-sustaining | | | | |
| Canada Development Investment Corporation | 19,936 | 86,000 | | 105,936 |
| Theratronics International Limited ⁽²⁾ | | | | |
| Canada Hibernia Holding Corporation | 36,904 | | 443,501 | 480,405 |
| Canada Lands Company Limited | 170,592 | | 258,616 | 429,208 |
| Canada Ports Corporation ⁽³⁾ | 14,102 | 157,887 | 112,729 | 284,718 |
| Canada Post Corporation | 872,695 | 301,771 | 1,627,745 | 2,802,211 |
| Halifax Port Authority ⁽⁴⁾ | 4,441 | 3,395 | 78,069 | 85,905 |
| Halifax Port Corporation ⁽⁴⁾ | | | | |
| Montreal Port Authority ⁽⁴⁾ | 29,652 | 63,598 | 168,844 | 262,094 |
| Montreal Port Corporation ⁽⁴⁾ | | | | |
| Petro-Canada Limited | 235,600 | 276,486 | | 512,086 |
| Port of Quebec Corporation ⁽⁴⁾ | 47,692 | 3,261 | 27,278 | 78,231 |
| Prince Rupert Port Corporation ⁽⁴⁾ | 1,729 | 8,218 | 94,775 | 104,722 |
| Royal Canadian Mint | 29,466 | 4,786 | 124,877 | 159,129 |
| Saint John Port Corporation ⁽⁴⁾ | 1,806 | 14,073 | 57,224 | 73,103 |
| St John's Port Corporation ⁽⁴⁾ | 646 | 6,689 | 12,172 | 19,507 |
| Vancouver Port Authority ⁽⁴⁾ | 18,532 | 10,525 | 415,895 | 444,952 |
| Vancouver Port Corporation ⁽⁴⁾ | | | | |
| Total—Competitive, self-sustaining | 1,483,793 | 936,689 | 3,421,725 | 5,842,207 |
| Bank of Canada | 2,217,991 | 30,346,157 | 234,436 | 32,798,584 |
| Lending and Insurance | | | | |
| Business Development Bank of Canada | 4,929,408 | 496 | 168,557 | 5,098,461 |
| Canada Deposit Insurance Corporation | 1,006,684 | 27 | 898 | 1,007,609 |
| Canada Mortgage and Housing Corporation | 16,902,752 | 557,679 | 56,116 | 17,516,547 |
| Insurance Programs | 1,162,895 | 3,156,755 | 214,297 | 4,533,947 |
| Mortgage Backed Securities Guarantee Fund | 80,286 | 2,643 | | 82,929 |
| Export Development Corporation | 15,196,013 | 389,331 | 25,487 | 15,610,831 |
| Farm Credit Corporation | 5,906,060 | 102,790 | 116,211 | 6,125,061 |
| Total—Lending and Insurance | 45,184,098 | 4,209,721 | 581,566 | 49,975,385 |
| Marketing | | | | |
| Canadian Commercial Corporation | 286,066 | 136 | | 286,202 |
| Canadian Dairy Commission | | | | |
| Marketing operations | 17,661 | | 56,648 | 74,309 |
| Canadian Wheat Board, The ⁽⁵⁾ | 6,971,820 | | 928,098 | 7,899,918 |
| Freshwater Fish Marketing Corporation | 6,558 | | 12,155 | 18,713 |
| Total—Marketing | 7,282,105 | 136 | 996,901 | 8,279,142 |
| Other | | | | |
| Atlantic Pilotage Authority | 1,874 | 1,843 | 808 | 4,525 |
| Canada Pension Plan Investment Board | 17,957 | | | 17,957 |
| Cape Breton Development Corporation | 26,130 | | 94,789 | 120,919 |
| Federal Bridge Corporation Limited, The | 9,116 | 2,135 | 22,394 | 33,645 |
| Great Lakes Pilotage Authority, Ltd | 8,903 | | 179 | 9,082 |
| Laurentian Pilotage Authority | 4,329 | | 3,172 | 7,501 |
| Pacific Pilotage Authority | 7,157 | | 613 | 7,770 |
| St. Lawrence Seaway Authority, The ⁽⁶⁾ | | | | |
| Seaway International Bridge Corporation Ltd, The | 1,332 | | 1,199 | 2,531 |
| Total—Other | 76,798 | 3,978 | 123,154 | 203,930 |
| Total | 56,244,785 | 35,496,681 | 5,357,782 | 97,099,248 |

(1) All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority, Ltd. and Seaway International Bridge Corporation Ltd which are unconsolidated subsidiaries.

(2) Theratronics International Limited was sold on May 20, 1998.

(3) The *Canada Marine Act* that received Royal Assent on June 11, 1998 provides for the dissolution of Canada Ports Corporation on a date to be fixed by order of the Governor in Council. Ridley Terminal Inc., a subsidiary of Canada Ports Corporation, will become a parent Crown corporation upon dissolution which is planned to take place in 1999-2000.

(4) The *Canada Marine Act* also provides for the creation of Canada Port Authorities (CPAs) that are non-share capital corporations, with a majority of directors nominated in consultation with port users as well as representatives appointed by the federal, provincial and municipal governments. The new corporations, which are not Crown corporations but considered government business enterprises, are agent of the Crown for their port activities. On March 1, 1999, Halifax Port

| Liabilities | | | | | |
|-----------------|------------|--|----------------------|------------------------|---------------------------------------|
| Outside parties | | Government and Crown corporations | Total liabilities | Equity of Canada | Total liabilities and equity |
| Borrowings | Other | | | | |
| | 8,466 | 2,000 | 10,466 | 95,470 | 105,936 |
| | 49,302 | 2,578 | 51,880 | 428,525 | 480,405 |
| | 100,699 | 118,832 | 219,531 | 209,677 | 429,208 |
| 78,692 | 13,011 | 72,967 | 164,670 | 120,048 | 284,718 |
| 166,477 | 1,611,856 | 30,710 | 1,809,043 | 993,168 | 2,802,211 |
| 8,000 | 3,494 | 544 | 12,038 | 73,867 | 85,905 |
| | 11,622 | 2,230 | 13,852 | 248,242 | 262,094 |
| 470,887 | 36,249 | | 507,136 | 4,950 | 512,086 |
| 18,463 | 2,888 | 227 | 21,578 | 56,653 | 78,231 |
| | 902 | | 902 | 103,820 | 104,722 |
| 31,000 | 43,840 | 9,000 | 83,840 | 75,289 | 159,129 |
| | 4,171 | 140 | 4,311 | 68,792 | 73,103 |
| | 1,405 | 6 | 1,411 | 18,096 | 19,507 |
| | 31,775 | 47,230 | 79,005 | 365,947 | 444,952 |
| 773,519 | 1,919,680 | 286,464 | 2,979,663 | 2,862,544 | 5,842,207 |
| | 32,596,885 | 171,699 | 32,768,584 | 30,000 | 32,798,584 |
| 4,223,355 | 279,590 | 11,683 | 4,514,628 | 583,833 | 5,098,461 |
| | 979,894 | 800 | 980,694 | 26,915 | 1,007,609 |
| 10,632,785 | 107,942 | 6,734,153 | 17,474,880 | 41,667 | 17,516,547 |
| | 3,284,836 | 1,017,931 | 4,302,767 | 231,180 | 4,533,947 |
| | 34,908 | 816 | 35,724 | 47,205 | 82,929 |
| 12,967,328 | 914,795 | 12,900 | 13,895,023 | 1,715,808 | 15,610,831 |
| 4,316,692 | 151,371 | 1,065,152 | 5,533,215 | 591,846 | 6,125,061 |
| 32,140,160 | 5,753,336 | 8,843,435 | 46,736,931 | 3,238,454 | 49,975,385 |
| | 262,147 | 888 | 263,035 | 23,167 | 286,202 |
| 964 | 50,528 | 22,817 | 74,309 | | 74,309 |
| 6,785,535 | 1,110,405 | 3,978 | 7,899,918 | | 7,899,918 |
| 5,830 | 8,730 | 4,153 | 18,713 | | 18,713 |
| 6,792,329 | 1,431,810 | 31,836 | 8,255,975 | 23,167 | 8,279,142 |
| | 1,439 | | 1,439 | 3,086 | 4,525 |
| | 13,009 | 4,948 | 17,957 | | 17,957 |
| | 376,483 | 156,406 | 532,889 | (411,970) | 120,919 |
| | 150 | | 150 | 33,495 | 33,645 |
| | 2,427 | | 2,427 | 6,655 | 9,082 |
| 4,500 | 5,279 | | 9,779 | (2,278) | 7,501 |
| | 3,831 | | 3,831 | 3,939 | 7,770 |
| 8 | 600 | 1,754 | 2,362 | 169 | 2,531 |
| 4,508 | 403,218 | 163,108 | 570,834 | (366,904) | 203,930 |
| 39,710,516 | 42,104,929 | 9,496,542 | 91,311,987 | 5,787,261 | 97,099,248 |

Authority, Montreal Port Authority and Vancouver Port Authority commenced operations, and the former enterprise Crown corporations Halifax Port Corporation, Montreal Port Corporation and Vancouver Port Corporation were dissolved. The activities of the remaining four local port corporations and of the divisional ports of Canada Ports are scheduled to be transferred to new Port Authorities during the course of 1999-2000.

(5) During the year, the June 1998 amendments to the *Canadian Wheat Board Act* took effect to convert the Canadian Wheat Board from a Crown corporation to a shared governance corporation with farmers electing a majority of the board of directors. The Corporation is no longer an agent enterprise Crown corporation, but remains a government business enterprise.

(6) The St. Lawrence Seaway Authority was dissolved on October 2, 1998. Upon dissolution, its subsidiary The Federal Bridge Corporation Limited was converted into a parent Crown corporation and operational responsibility for the Great Lakes/St. Lawrence Seaway system was transferred to the St. Lawrence Seaway Management Corporation, which is a private-sector corporation established by Seaway users.

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | | Revenues | | |
|---|-------------------|-------------------------------------|------------------|-------------------|
| | | Government and Crown corporations | | |
| | Outside parties | Financial assistance ⁽¹⁾ | Other | Total |
| Enterprise Crown corporations and other government business enterprises | | | | |
| Competitive, self-sustaining | | | | |
| Canada Development Investment Corporation | 7,211 | | | 7,211 |
| Theratronics International Limited | | | | |
| Canada Hibernia Holding Corporation | 51,077 | | | 51,077 |
| Canada Lands Company Limited | 189,181 | | | 189,181 |
| Canada Ports Corporation | 51,376 | | 5,470 | 56,846 |
| Canada Post Corporation | 5,183,013 | | 225,835 | 5,408,848 |
| Halifax Port Authority | 1,563 | | 13 | 1,576 |
| Halifax Port Corporation | 12,301 | | 68 | 12,369 |
| Montreal Port Authority | 4,498 | | 725 | 5,223 |
| Montreal Port Corporation | 50,693 | | 8,784 | 59,477 |
| Petro-Canada Limited | 18,749 | | 22,886 | 41,635 |
| Port of Quebec Corporation | 14,421 | | 515 | 14,936 |
| Prince Rupert Port Corporation | 6,276 | | 434 | 6,710 |
| Royal Canadian Mint | 505,322 | | 53,598 | 558,920 |
| Saint John Port Corporation | 11,314 | | 717 | 12,031 |
| St John's Port Corporation | 2,859 | | 471 | 3,330 |
| Vancouver Port Authority | 5,594 | | 62 | 5,656 |
| Vancouver Port Corporation | 68,657 | | 3,275 | 71,932 |
| <i>Total—Competitive, self-sustaining</i> | <i>6,184,105</i> | | <i>322,853</i> | <i>6,506,958</i> |
| Bank of Canada | | | <i>1,703,840</i> | <i>1,703,840</i> |
| Lending and insurance | | | | |
| Business Development Bank of Canada | 446,816 | | 996 | 447,812 |
| Canada Deposit Insurance Corporation | 578,503 | | | 578,503 |
| Canada Mortgage and Housing Corporation | 1,233,108 | | 43,170 | 1,276,278 |
| Insurance Programs | 626,178 | | 187,587 | 813,765 |
| Mortgage Backed Securities Guarantee Fund | 15,789 | | | 15,789 |
| Export Development Corporation | 1,301,816 | | 46,991 | 1,348,807 |
| Farm Credit Corporation | 456,129 | | 9,016 | 465,145 |
| <i>Total—Lending and insurance</i> | <i>4,658,339</i> | | <i>287,760</i> | <i>4,946,099</i> |
| Marketing | | | | |
| Canadian Commercial Corporation | 793,376 | 10,443 | | 803,819 |
| Canadian Dairy Commission | | | | |
| Marketing operations | 299,929 | | | 299,929 |
| Canadian Wheat Board, The | 4,718,411 | | | 4,718,411 |
| Freshwater Fish Marketing Corporation | 50,734 | | | 50,734 |
| <i>Total—Marketing</i> | <i>5,862,450</i> | <i>10,443</i> | | <i>5,872,893</i> |
| Other | | | | |
| Atlantic Pilotage Authority | 9,672 | | | 9,672 |
| Canada Pension Plan Investment Board | 203 | | 1,076 | 1,279 |
| Cape Breton Development Corporation | 98,921 | 40,662 | | 139,583 |
| Federal Bridge Corporation Limited, The | 1,670 | | 21 | 1,691 |
| Great Lakes Pilotage Authority, Ltd | 16,883 | | | 16,883 |
| Laurentian Pilotage Authority | 42,060 | | | 42,060 |
| Pacific Pilotage Authority | 37,414 | | | 37,414 |
| St. Lawrence Seaway Authority, The | 57,682 | | 2,171 | 59,853 |
| Seaway International Bridge Corporation Ltd, The | 2,970 | | | 2,970 |
| <i>Total—Other</i> | <i>267,475</i> | <i>40,662</i> | <i>3,268</i> | <i>311,405</i> |
| Total | 16,972,369 | 51,105 | 2,317,721 | 19,341,195 |

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

| Outside parties | Expenses | | Income/or loss(-) | Equity beginning of year | Adjustments | Equity transactions with Government | | Equity end of year |
|-----------------|-----------------------------------|------------|-------------------|--------------------------|-------------|-------------------------------------|-----------|--------------------|
| | Government and Crown corporations | Total | | | | Dividends | Capital | |
| 3,356 | | 3,356 | 3,855 | 81,511 | | | 10,104 | 95,470 |
| | | | | 10,104 | | | (10,104) | |
| 48,275 | 918 | 49,193 | 1,884 | 414,181 | | | 12,460 | 428,525 |
| 174,166 | 1,286 | 175,452 | 13,729 | 242,507 | | (46,559) | | 209,677 |
| 32,687 | 14,339 | 47,026 | 9,820 | 24,297 | | (2,005) | 87,936 | 120,048 |
| 5,097,867 | 260,820 | 5,358,687 | 50,161 | 1,155,007 | | (212,000) | | 993,168 |
| 882 | 33 | 915 | 661 | | | | 73,206 | 73,867 |
| 9,480 | 369 | 9,849 | 2,520 | 71,237 | | (550) | (73,207) | |
| 4,078 | 112 | 4,190 | 1,033 | | | | 247,209 | 248,242 |
| 45,740 | 1,043 | 46,783 | 12,694 | 238,247 | | (3,732) | (247,209) | |
| 40,818 | | 40,818 | 817 | 4,133 | | | | 4,950 |
| 24,881 | 169 | 25,050 | (10,114) | 58,647 | | | 8,120 | 56,653 |
| 6,691 | | 6,691 | 19 | 103,801 | | | | 103,820 |
| 549,651 | 272 | 549,923 | 8,997 | 66,292 | | | | 75,289 |
| 9,635 | 223 | 9,858 | 2,173 | 66,711 | | (92) | | 68,792 |
| 2,549 | 168 | 2,717 | 613 | 17,488 | | (5) | | 18,096 |
| 3,710 | 516 | 4,226 | 1,430 | | | | 364,517 | 365,947 |
| 50,655 | 20,654 | 71,309 | 623 | 367,314 | (3,061) | (359) | (364,517) | |
| 6,105,121 | 300,922 | 6,406,043 | 100,915 | 2,921,477 | (3,061) | (265,302) | 108,515 | 2,862,544 |
| | | | 1,703,840 | 30,000 | | (1,703,840) | | 30,000 |
| 412,731 | 2,297 | 415,028 | 32,784 | 507,058 | | (6,009) | 50,000 | 583,833 |
| 13,308 | 10,054 | 23,362 | 555,141 | (538,927) | 10,701 | | | 26,915 |
| 854,816 | 420,438 | 1,275,254 | 1,024 | 40,643 | | | | 41,667 |
| 346,654 | 256,776 | 603,430 | 210,335 | 20,845 | | | | 231,180 |
| 1,705 | 5,543 | 7,248 | 8,541 | | 38,664 | | | 47,205 |
| 1,232,714 | (21,988) | 1,210,726 | 138,081 | 1,577,728 | (1) | | | 1,715,808 |
| 299,980 | 122,606 | 422,586 | 42,559 | 549,286 | 1 | | | 591,846 |
| 3,161,908 | 795,726 | 3,957,634 | 988,465 | 2,156,633 | 49,365 | (6,009) | 50,000 | 3,238,454 |
| 799,793 | 3,376 | 803,169 | 650 | 17,517 | | | 5,000 | 23,167 |
| 297,538 | 2,391 | 299,929 | | | | | | |
| 4,718,411 | | 4,718,411 | | | | | | |
| 50,734 | | 50,734 | | | | | | |
| 5,866,476 | 5,767 | 5,872,243 | 650 | 17,517 | | | 5,000 | 23,167 |
| 8,880 | | 8,880 | 792 | 2,294 | | | | 3,086 |
| 1,077 | | 1,077 | 202 | | (202) | | | |
| 418,037 | 21,267 | 439,304 | (299,721) | (86,746) | (28,861) | | 3,358 | (411,970) |
| 801 | | 801 | 890 | | | | 32,605 | 33,495 |
| 14,938 | | 14,938 | 1,945 | 4,712 | (2) | | | 6,655 |
| 41,618 | | 41,618 | 442 | (2,724) | (6) | | 10 | (2,278) |
| 37,181 | | 37,181 | 233 | 3,706 | | | | 3,939 |
| 44,339 | 1,449 | 45,788 | 14,065 | 576,758 | | | (590,823) | |
| 2,366 | 83 | 2,449 | 521 | 8 | 76 | (444) | 8 | 169 |
| 569,237 | 22,799 | 592,036 | (280,631) | 498,008 | (28,995) | (444) | (554,842) | (366,904) |
| 15,702,742 | 1,125,214 | 16,827,956 | 2,513,239 | 5,623,635 | 17,309 | (1,975,595) | (391,327) | 5,787,261 |

Borrowings by Agent Enterprise Crown Corporations

Table 9.6 summarizes the borrowing transactions by agent enterprise Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that "An annual statement of all borrowing transactions on behalf of Her Majesty shall be included in the *Public Accounts of Canada*". The borrowings are from other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 1999, an allowance for borrowings expected to be repaid by the Government was established at \$3,200 million.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included in this table because such borrowings are not on behalf of Her Majesty. Table 9.7 provides information on borrowings of such corporations.

TABLE 9.6

BORROWINGS BY AGENT ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

| | Balance April 1/1998 | Borrowings and other credits | Repayments and other charges | Balance March 31/1999 |
|---|-------------------------|------------------------------------|------------------------------------|--------------------------|
| Business Development Bank of Canada | 3,838,505 | 11,348,698 | 10,963,848 | 4,223,355 |
| Canada Lands Company Limited | 36,913 | 10,000 | 46,913 | |
| Canada Mortgage and Housing Corporation | 9,933,761 | 9,455,713 | 8,756,689 | 10,632,785 |
| Canada Ports Corporation | 3,067 | 75,625 | | 78,692 |
| Canada Post Corporation | 170,877 | (3,803) | | 166,477 |
| Canadian Dairy Commission (Marketing) | 1,548 | 23,505 | 597 | 964 |
| Canadian Wheat Board, The ⁽¹⁾ | 6,698,124 | 48,857,733 | 48,770,322 | 6,785,535 |
| Export Development Corporation | 10,076,995 | 45,687,591 | 42,797,258 | 12,967,328 |
| Farm Credit Corporation | 3,026,105 | 4,910,037 | 3,619,450 | 4,316,692 |
| Freshwater Fish Marketing Corporation | 7,121 | 5,830 | 7,121 | 5,830 |
| Petro-Canada Limited | 443,140 | 27,747 | | 470,887 |
| Port of Quebec Corporation | 11,568 | 6,895 | | 18,463 |
| Royal Canadian Mint | 31,000 | | | 31,000 |
| Seaway International Bridge Corporation, Ltd., The | 8 | | | 8 |
| Total | 34,278,732 | 120,405,571 | 114,986,287 | 39,698,016 |
| Borrowings expected to be repaid by agent enterprise Crown corporations | (31,013,732) | 120,405,571 | 115,051,287 | (36,498,016) |
| Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities | 3,265,000 | | 65,000 | 3,200,000 |

Notes to Table 9.4 are an integral part of this table.

(1) Effective December 31, 1998 the Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*. Borrowing transactions prior to December 31, 1998 are reported here, while borrowings subsequent to this date will be reported in Table 9.7 with the borrowings of non-agent enterprise Crown corporations and other government business enterprises.

Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations and other government business enterprises. Borrowings of non-agent Crown corporations and other government business enterprises are not on behalf of Her Majesty.

TABLE 9.7

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

| | Balance April 1/1998 | Borrowings and other credits | Repayments and other charges | Balance March 31/1999 |
|--|-------------------------|------------------------------------|------------------------------------|--------------------------|
| Borrowings by agent enterprise Crown corporations | 34,278,732 | 120,405,571 | 114,986,287 | 39,698,016 |
| Borrowings by non-agent enterprise Crown corporations and other government business enterprises — | | | | |
| Laurentian Pilotage Authority | 5,378 | 5 | 878 | 4,500 |
| Halifax Port Authority ⁽¹⁾ | | 8,000 | | 8,000 |
| Total | 34,284,110 | 120,405,576 | 114,987,165 | 39,710,516 |

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ Halifax Port Authority is an agent of the Crown only for its port activities. The Authority is considered a non-agent of the Crown for borrowings purposes.

Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 1999.

TABLE 9.8

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

| Year of maturity | Agent | Non-agent | Total |
|--------------------|------------|-----------|---------------------------|
| 2000 | 18,690,586 | 1,032 | 18,691,618 |
| 2001 | 5,322,818 | 2,545 | 5,325,363 |
| 2002 | 2,827,346 | 2,123 | 2,829,469 |
| 2003 | 2,931,897 | 1,600 | 2,933,497 |
| 2004 | 4,634,961 | 5,200 | 4,640,161 |
| 2005 to 2009 | 3,334,784 | | 3,334,784 |
| 2010 to 2014 | 1,955,624 | | 1,955,624 |
| Total | 39,698,016 | 12,500 | 39,710,516 ⁽¹⁾ |

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ The borrowings are composed of \$20,005,786 US, £ 642,127, ¥25,397, DM 127,359, NZ dollar 80,504, AUD. 1,835, ITL 1,001, Euro 408,908, Neth Guilder 266, HK\$ 50,828, Nor Krone 7,823, Ecu dollar 11,259 and \$18,347,423 Cdn.

Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 9.9

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

| | March 31, 1999 |
|--|------------------|
| Enterprise Crown corporations and other government business enterprises | |
| Canada Mortgage and Housing Corporation—Miscellaneous Litigation | 1,000 |
| Canada Mortgage and Housing Corporation—Insurance programs | 14,000 |
| Canada Lands Company Limited—Loan guarantee | 22,605 |
| Canada Ports Corporation—Miscellaneous litigation | 5,807 |
| Export Development Corporation—Loan guarantees and loans with recourse | 1,909,442 |
| Farm Credit Corporation—Loan guarantee | 1,100 |
| Halifax Port Authority—Miscellaneous Litigation | 1,487 |
| Montreal Port Authority—Miscellaneous Litigation | 188 |
| Vancouver Port Authority—Claims for damages | 27,200 |
| Total | 1,982,829 |

Notes to Table 9.4 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 9.10

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 1999

(in thousands of dollars)

| | Financial assistance under budgetary appropriations ⁽¹⁾ | Purpose | |
|---|---|------------|-------------------------|
| | | Operations | Capital expenditures |
| Enterprise Crown corporations and other government business enterprises | | | |
| Canada Post Corporation ⁽²⁾ | 76,846 | 76,846 | |
| Canadian Commercial Corporation | 15,443 | 15,443 | |
| Canadian Wheat Board, The ⁽³⁾ | 20,963 | 20,963 | |
| Cape Breton Development Corporation | 44,020 | 44,020 | |
| Export Development Corporation ⁽⁴⁾ | 22,234 | 22,234 | |
| Port of Quebec Corporation ⁽⁵⁾ | 10,380 | | 10,380 |
| Total | 189,886 | 179,506 | 10,380 |

⁽¹⁾ Excludes grants and contributions paid to agent and non-agent enterprise Crown corporations where they qualify as members of a general class of recipients.

⁽²⁾ Includes payment of \$47,300 for costs associated with cultural publication mailings and \$15,545 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

⁽³⁾ Payment for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

⁽⁴⁾ Consists of payments of \$60 made pursuant to section 32 of the *Export Development Act* concerning the concessional (Canada Account) loans and \$22,174 from the Department of Foreign Affairs and International Trade as administration expenses.

⁽⁵⁾ Payment made to Port of Québec Corporation via Canada Ports Corporation for the restoration of the wharf.

Joint and Mixed Enterprises

Joint and mixed enterprises are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's loans, investments and advances to such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of loans, investments and advances to joint and mixed enterprises.

TABLE 9.11
JOINT AND MIXED ENTERPRISES

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Petro-Canada—Finance | 1,225,167,174 | | | 1,225,167,174 |
| Other— | | | | |
| Lower Churchill Development Corporation Limited— | | | | |
| Natural Resources | 14,750,000 | | | 14,750,000 |
| North Portage Development Corporation— | | | | |
| Industry—Western Economic Diversification | | | | |
| Société du parc industriel et portuaire Québec-Sud— | | | | |
| Industry—Economic Development Agency of Canada for the Regions of Quebec | 400 | | | 400 |
| | 14,750,400 | | | 14,750,400 |
| Total | 1,239,917,574 | | | 1,239,917,574 |

Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 1999, the Government's holding represents 49.4 million shares, approximately 20 percent ownership of Petro-Canada.

Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydroelectric power potential of the Lower

Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to favor and manage the development of an industrial park intended for major industrial projects in the Township of Lévis. In order to achieve this objective, the Corporation may acquire, sell or exchange lands in this Township.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation must now propose a development alternative to the two levels of government with the amounts gathered from these land disposals.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

National Governments Including Developing Countries

Loans to national governments consist mainly of the loan to the government of the United Kingdom under the *United Kingdom Financial Agreement Act, 1946*, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 9.12

NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Finance— | | | | |
| Jamaica | 15,916,667 | 1,295,629 | 4,309,518 | 12,902,778 |
| Bank of Thailand | | 616,781,445 | 18,431,025 | 598,350,420 |
| United Kingdom— | | | | |
| United Kingdom Financial Agreement Act, 1946 | 108,771,779 | | 35,534,819 | 73,236,960 |
| Deferred principal | 94,990,863 | | | 94,990,863 |
| | 203,762,642 | | 35,534,819 | 168,227,823 |
| Foreign Affairs and International Trade— | | | | |
| Development of export trade (loans administered by the Export Development Corporation) | 1,053,293,890 | 213,250,928 | 235,263,200 | 1,031,281,618 |
| Developing countries—Canadian International Development Agency—International development assistance | 1,586,210,150 | 726,676 | 62,024,285 | 1,524,912,541 |
| National Defence— | | | | |
| North Atlantic Treaty Organization—Damage claims recoverable | 299,429 | 81,149 | 52 | 380,526 |
| Total | 2,859,482,778 | 832,135,827 | 355,562,899 | 3,336,055,706 |

Jamaica

A loan has been made to the Government of Jamaica, to provide economic assistance.

The loan agreement has been amended by the following Rescheduling Agreements:

- (a) the Rescheduling Agreement dated October 18, 1985, provided for the deferment of the principal repayment in the amount of \$5,000,000 due on August 9, 1985;
- (b) the Rescheduling Agreement dated June 4, 1987, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1986 and August 9, 1987; and,
- (c) the Rescheduling Agreement dated July 25, 1989, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1988 and August 9, 1989.

Bank of Thailand

Under authority of the *Bretton Woods and Related Agreements Act*, a loan has been made to the Bank of Thailand to a maximum of \$500,000,000 US to provide financial assistance.

The loan has been issued in tranches and each tranche pays interest at the six-month LIBOR rate established by the British Bankers' Association less 0.100 percent. The interest is calculated every six-month period and the principal is repayable over four equal consecutive semi-annual instalments commencing on the seventh interest payment date.

As of March 31, 1999, the Bank of Thailand has borrowed \$396,600,000 US translated into Canadian dollars at the closing rate of exchange (\$1 US/ \$1.5087 Cdn.).

United Kingdom

United Kingdom Financial Agreement Act, 1946

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2 percent per annum, with the final instalment on December 31, 2000.

Deferred principal

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority

because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

| | Payments and other charges | | | Receipts and other credits | | March 31/1999 |
|--|----------------------------|--|-------------|--|-------------|---------------|
| | April 1/1998 | Payments or other charges ⁽¹⁾ | Revaluation | Receipts or other credits ⁽²⁾ | Revaluation | |
| | | \$ | | \$ | | |
| NON-BUDGETARY LOANS | | | | | | |
| (a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 1988 and November 1997: | | | | | | |
| Argentina..... | 12,944,999 | | | 8,965,913 | | 3,979,086 |
| Brazil..... | 883,016 | | 50,460 | 536,464 | | 397,012 |
| Jamaica..... | 613,668 | | 48,848 | 600,375 | | 62,141 |
| Kazakhstan..... | 338,972 | | 9,691 | 348,663 | | |
| Madagascar..... | 14,669,387 | | 2,669,756 | | | 17,339,143 |
| Mexico..... | 3,364,639 | | 184,638 | 1,833,499 | | 1,715,778 |
| Peru..... | 1,036,324 | | | | | 1,036,324 |
| Russia and USSR..... | 70,487,048 | 7,808,690 | 9,611,276 | 7,808,690 | 5,816,328 | 74,281,996 |
| Sudan..... | 1,779,710 | | 116,336 | | | 1,896,046 |
| Tanzania..... | 37,465,541 | | 2,451,560 | | | 39,917,101 |
| | 143,583,304 | 7,808,690 | 15,142,565 | 20,093,604 | 5,816,328 | 140,624,627 |
| (b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007: | | | | | | |
| Algeria..... | 33,933,589 | 28,010,676 | 4,781,295 | 3,312,273 | | 63,413,287 |
| Argentina..... | 60,537,254 | | 4,031,971 | 7,240,834 | | 57,328,391 |
| Cameroun..... | 7,962,685 | | 495,709 | 1,874,640 | | 6,583,754 |
| China..... | 88,489,840 | | 5,744,553 | 5,164,815 | | 89,069,578 |
| Congo..... | 979,376 | 99,488 | 163,746 | | | 1,242,610 |
| Cuba..... | 36,779,403 | 3,995,469 | 140,297 | 1,982,842 | 140,296 | 38,792,031 |
| Ecuador..... | 3,816,583 | | 250,762 | 1,017,796 | | 3,049,549 |
| Egypt..... | 1,413,673 | | 87,609 | 1,501,282 | | |
| Gabon..... | 19,557,555 | 2,126,959 | 1,323,742 | 1,376,661 | | 21,631,595 |
| Jamaica..... | 4,896,972 | | 287,796 | 1,090,443 | | 4,094,325 |
| Kazakhstan..... | 7,379,626 | | 497,076 | 2,976,187 | | 4,900,515 |
| Kenya..... | 10,620,664 | | 684,848 | 1,731,355 | | 9,574,157 |
| Lithuania..... | 2,547,409 | | 162,562 | 383,748 | | 2,326,223 |
| Morocco..... | 117,687,561 | | 8,212,530 | 20,783,909 | 632,401 | 104,483,781 |
| Romania..... | 293,111,365 | 10,005 | 19,422,164 | 37,020,835 | | 275,522,699 |
| Russia..... | 8,018,549 | | 503,831 | 1,398,775 | | 7,123,605 |
| Rwanda..... | 6,355,806 | | 410,216 | 4,396,077 | | 2,369,945 |
| Sudan..... | 7,533,737 | | 492,463 | | | 8,026,200 |
| Venezuela..... | 26,572,457 | | 1,767,228 | 3,965,089 | | 24,374,596 |
| | 738,194,104 | 34,242,597 | 49,460,398 | 97,217,561 | 772,697 | 723,906,841 |
| (c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007: | | | | | | |
| Algeria..... | 1,567,165 | 219,000 | | 4,085 | | 1,782,080 |
| Argentina..... | 29,563,118 | | | 1,853,593 | | 27,709,525 |
| Brazil..... | 6,807,993 | | 71,315 | 655,420 | 27,197 | 6,196,691 |
| | 37,938,276 | 219,000 | 71,315 | 2,513,098 | 27,197 | 35,688,296 |
| Insurance claims paid during the year: | | | | | | |
| Cuba..... | 29,761,497 | | | 7,424,456 | | 22,337,041 |
| Russia..... | 14,993,967 | | 585,055 | | | 15,579,022 |
| | 44,755,464 | | 585,055 | 7,424,456 | | 37,916,063 |
| Total—Non-budgetary..... | 964,471,148 | 42,270,287 | 65,259,333 | 127,248,719 | 6,616,222 | 938,135,827 |

| | Payments and other charges | | | Receipts and other credits | | March 31/1999 |
|--|----------------------------|--|-------------|--|-------------|---------------|
| | | Payments or other charges ⁽¹⁾ | Revaluation | Receipts or other credits ⁽²⁾ | Revaluation | |
| | April 1/1998 | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| BUDGETARY LOANS⁽³⁾ | | | | | | |
| (a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012: | | | | | | |
| Argentina | 4,315,000 | | | 4,315,000 | | |
| Chile | 238,230 | | 26,168 | 264,398 | | |
| Egypt | 3,040,229 | | 204,061 | 1,084,983 | | 2,159,307 |
| Madagascar | 9,590,111 | | 626,884 | | | 10,216,995 |
| Poland | 43,147,570 | | 2,827,776 | 1,489,193 | | 44,486,153 |
| Tanzania | 888,488 | | 58,078 | | | 946,566 |
| Zambia | 7,060,246 | | 461,514 | | | 7,521,760 |
| | 68,279,874 | | 4,204,481 | 7,153,574 | | 65,330,781 |
| (b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011: | | | | | | |
| Cameroun | 489,829 | 521,226 | 293,254 | | 260,613 | 1,043,696 |
| Mexico | 18,925,776 | | 1,278,018 | 2,057,173 | | 18,146,621 |
| Rwanda | | 4,396,077 | 1,679,523 | | | 6,075,600 |
| Thailand | 26,640,293 | | 986,393 | 2,205,366 | | 25,421,320 |
| Zambia | 1,315,579 | | 85,996 | | | 1,401,575 |
| | 47,371,477 | 4,917,303 | 4,323,184 | 4,262,539 | 260,613 | 52,088,812 |
| (c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036: | | | | | | |
| Algeria | 11,449,000 | | | 568,000 | | 10,881,000 |
| China | 426,108,988 | 8,969,970 | 28,198,344 | | 228,600 | 463,048,702 |
| Congo | 3,085,355 | | 101,956 | 99,488 | | 3,087,823 |
| Indonesia | 45,593,993 | | 2,980,378 | | | 48,574,371 |
| | 486,237,336 | 8,969,970 | 31,280,678 | 667,488 | 228,600 | 525,591,896 |
| (d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042: | | | | | | |
| Cameroun | 18,924,454 | | 819,027 | 260,613 | | 19,482,868 |
| China | 199,465,647 | | 13,029,169 | 2,068,532 | | 210,426,284 |
| Egypt | 14,072,152 | | 304,269 | 241,472 | | 14,134,949 |
| Gabon | 13,692,997 | 366,195 | 918,826 | | | 14,978,018 |
| India | 72,152,683 | 259,549 | 4,731,656 | 79,541 | | 77,064,347 |
| Jamaica | 10,368,306 | | 677,589 | 137,911 | | 10,907,984 |
| Kenya | 10,199,917 | | 662,988 | 147,166 | | 10,715,739 |
| Morocco | 145,439,222 | | 9,492,980 | 2,589,399 | | 152,342,803 |
| Pakistan | 10,009,598 | | 650,764 | 138,643 | | 10,521,719 |
| Turkey | 154,553,832 | | 10,102,841 | | | 164,656,673 |
| | 648,878,808 | 625,744 | 41,390,109 | 5,663,277 | | 685,231,384 |
| Subtotal—Budgetary | 1,250,767,495 | 14,513,017 | 81,198,452 | 17,746,878 | 489,213 | 1,328,242,873 |
| Less: budgetary treatment | 1,161,944,753 | 9,781,239 | 228,600 | 9,595,684 | 73,566,484 | 1,235,097,082 |
| Total—Budgetary | 88,822,742 | 24,294,256 | 81,427,052 | 27,342,562 | 74,055,697 | 93,145,791 |
| Total | 1,053,293,890 | 66,564,543 | 146,686,385 | 154,591,281 | 80,671,919 | 1,031,281,618 |
| SUMMARY | | | | | | |
| Total—Non-budgetary | 964,471,148 | 42,270,287 | 65,259,333 | 127,248,719 | 6,616,222 | 938,135,827 |
| Total—Budgetary | 1,250,767,495 | 14,513,017 | 81,198,452 | 17,746,878 | 489,213 | 1,328,242,873 |
| | 2,215,238,643 | 56,783,304 | 146,457,785 | 144,995,597 | 7,105,435 | 2,266,378,700 |
| Less: budgetary treatment | 1,161,944,753 | 9,781,239 | 228,600 | 9,595,684 | 73,566,484 | 1,235,097,082 |
| Total | 1,053,293,890 | 66,564,543 | 146,686,385 | 154,591,281 | 80,671,919 | 1,031,281,618 |

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Concessional non-budgetary loans made prior to April 1, 1987 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans in this table.

Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 have been fully provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

During the year, loans totalling \$24,256,992 were forgiven under the authority of Foreign Affairs and International Trade Vote 21c, *Appropriation Act No. 5, 1998-99*.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to

individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

| | April 1/1998 | Payments and other charges | Receipts and other credits ⁽¹⁾ | March 31/1999 |
|---|--------------|-------------------------------|--|---------------|
| | \$ | \$ | \$ | \$ |
| (a) rescheduling as per agreement with Government of Egypt in August 1992, Phase III of reorganization schedule. Next principal repayment due January 1, 2017: | | | | |
| Egypt | 44,995,933 | | | 44,995,933 |
| (b) 20 year term, 5 year grace period, 5 percent interest per annum, with final repayments between September 2000 and March 2001: | | | | |
| Turkey | 3,428,058 | | 2,064,112 | 1,363,946 |
| (c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012: | | | | |
| Brazil | 5,484,815 | | 751,735 | 4,733,080 |
| Chile | 91,443 | | 91,432 | 11 |
| Colombia | 2,001,807 | | 2,001,807 | |
| Cuba | 9,547,012 | | | 9,547,012 |
| Dominican Republic | 1,239,595 | | 1,239,595 | |
| Malaysia | 3,350,576 | | 306,822 | 3,043,754 |
| Turkey | 2,773,720 | | 428,260 | 2,345,460 |
| | 24,488,968 | | 4,819,651 | 19,669,317 |
| (d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005: | | | | |
| Salvador, El | 897,484 | | 171,939 | 725,545 |
| (e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007: | | | | |
| Thailand | 294,987 | | 33,333 | 261,654 |

| | April 1/1998 | Payments and other charges | Receipts and other credits ⁽¹⁾ | March 31/1999 |
|--|---------------|-------------------------------|--|---------------|
| | \$ | \$ | \$ | \$ |
| (f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035: | | | | |
| Algeria | 12,599,905 | | 21,562 | 12,578,343 |
| Argentina | 363,999 | | 18,667 | 345,332 |
| Bolivia | 1,017,482 | | 42,395 | 975,087 |
| Brazil | 449,878 | | 20,913 | 428,965 |
| Chile | 1,979,863 | | 147,093 | 1,832,770 |
| Colombia | 1,173,340 | | 660,344 | 512,996 |
| Costa Rica | 15,898,133 | | 2,271,162 | 13,626,971 |
| Dominican Republic | 6,102,296 | | 236,045 | 5,866,251 |
| Ecuador | 7,244,355 | | 304,919 | 6,939,436 |
| Guatemala | 2,931,353 | | 106,250 | 2,825,103 |
| Honduras | 18,158,394 | | 18,158,394 | |
| India | 527,999,834 | | 19,647,064 | 508,352,770 |
| Indonesia | 220,344,364 | | 3,709,871 | 216,634,493 |
| Malaysia | 2,117,055 | | 62,924 | 2,054,131 |
| Malta | 649,980 | | 25,000 | 624,980 |
| Mexico | 54,042 | | 2,771 | 51,271 |
| Morocco | 13,353,022 | | 860,712 | 12,492,310 |
| Myanmar (Burma) | 8,306,202 | | | 8,306,202 |
| Pakistan | 447,508,034 | | 500 | 447,507,534 |
| Paraguay | 378,063 | | 19,996 | 358,067 |
| Peru | 68,309 | | 3,729 | 64,580 |
| Philippines | 2,754,142 | | 146,690 | 2,607,452 |
| Sri Lanka | 127,428,677 | | 4,325,399 | 123,103,278 |
| Thailand | 26,410,877 | | 847,121 | 25,563,756 |
| Tunisia | 86,389,169 | | 3,295,729 | 83,093,440 |
| | 1,531,680,768 | | 54,935,250 | 1,476,745,518 |
| (g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025: | | | | |
| Algeria | 36,107,648 | | | 36,107,648 |
| Subtotal | 1,641,893,846 | | 62,024,285 | 1,579,869,561 |
| Less: budgetary treatment | 55,683,696 | 726,676 ⁽²⁾ | | 54,957,020 |
| Total | 1,586,210,150 | 726,676 | 62,024,285 | 1,524,912,541 |

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

⁽¹⁾ Receipts and other credits may include transactions such as repayments, forgiveness, etc.

⁽²⁾ This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investments but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represent a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 10.8 (Section 10 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. Table 10.9 (Section 10 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 1 of this volume.

The notes payable outstanding at year end of \$1,654,386,985 (\$1,811,620,352 in 1998) are reported in Table 5.3 (Section 5 of this volume).

TABLE 9.13

INTERNATIONAL ORGANIZATIONS

| | Payments and other charges | | | Receipts and other credits | |
|---|--------------------------------------|-------------|-------------|---------------------------------------|---------------|
| | Participation or other charges | | Revaluation | Reimbursements or other credits | |
| | April 1/1998 | | | | March 31/1999 |
| | \$ | \$ | \$ | \$ | \$ |
| NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES | | | | | |
| Capital subscriptions— | | | | | |
| Finance— | | | | | |
| European Bank for Reconstruction and Development | 169,005,921 | 17,675,344 | 11,230,531 | | 197,911,796 |
| International Bank for Reconstruction and Development (World Bank) | 397,661,265 | | 10,164,932 | | 407,826,197 |
| International Finance Corporation | 115,489,371 | | 7,231,304 | | 122,720,675 |
| Multilateral Investment Guarantee Agency | 9,109,806 | | 570,405 | | 9,680,211 |
| | 691,266,363 | 17,675,344 | 29,197,172 | | 738,138,879 |
| Foreign Affairs and International Trade— | | | | | |
| Canadian International Development Agency— | | | | | |
| African Development Bank | 94,518,729 | | 2,252,135 | | 96,770,864 |
| Asian Development Bank | 204,893,992 | 8,365,203 | 10,918,932 | | 224,178,127 |
| Caribbean Development Bank | 22,307,656 | 2,108,316 | 1,221,513 | | 25,637,485 |
| Inter-American Development Bank | 241,744,441 | 6,169,142 | 14,873,607 | | 262,787,190 |
| | 563,464,818 | 16,642,661 | 29,266,187 | | 609,373,666 |
| | 1,254,731,181 | 34,318,005 | 58,463,359 | | 1,347,512,545 |
| Loans and advances— | | | | | |
| Finance— | | | | | |
| International Monetary Fund— | | | | | |
| Enhanced Structural Adjustment Facility | 671,698,002 | 361,114,318 | 54,529,419 | 310,206,876 | 777,134,863 |
| Foreign Affairs and International Trade— | | | | | |
| International organizations and associations— | | | | | |
| Berne Union of the World Intellectual Property Organization | 42,082 | | | | 42,082 |
| Customs Co-operation Council | 11,082 | | | | 11,082 |
| Food and Agriculture Organization | 1,245,870 | | | | 1,245,870 |
| General Agreement on Tariffs and Trade | 52,405 | | | | 52,405 |
| International Maritime Organization | 2,471 | | | | 2,471 |
| International Atomic Energy Agency | 529,910 | | | | 529,910 |
| International Civil Aviation Organization | 237,546 | | | | 237,546 |
| Paris Union of the World Intellectual Property Organization | 108,436 | | | | 108,436 |
| United Nations Educational, Scientific and Cultural Organization | 1,034,654 | | | | 1,034,654 |
| United Nations organizations | 4,305,173 | | | | 4,305,173 |
| World Health Organization | 214,664 | | | | 214,664 |
| | 7,784,293 | | | | 7,784,293 |
| | 679,482,295 | 361,114,318 | 54,529,419 | 310,206,876 | 784,919,156 |
| Total—Non-budgetary | 1,934,213,476 | 395,432,323 | 112,992,778 | 310,206,876 | 2,132,431,701 |

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

| | Payments and other charges | | | Receipts and other credits | | March 31/1999 |
|---|-------------------------------|--------------------------------------|-------------|---------------------------------------|-------------|----------------|
| | April 1/1998 | Participation or other charges | Revaluation | Reimbursements or other credits | Revaluation | |
| | | \$ | | \$ | | |
| BUDGETARY LOANS AND ADVANCES⁽¹⁾ | | | | | | |
| Finance— | | | | | | |
| Global Environment Facility..... | 10,000,000 | | | | | 10,000,000 |
| International Development Association..... | 5,364,283,061 | 195,155,000 | | | | 5,559,438,061 |
| | 5,374,283,061 | 195,155,000 | | | | 5,569,438,061 |
| Foreign Affairs and International Trade— | | | | | | |
| Canadian International Development Agency— | | | | | | |
| International financial institutions— | | | | | | |
| African Development Bank..... | 2,843,896 | | | 125,000 | | 2,718,896 |
| African Development Fund..... | 1,262,222,273 | 70,487,880 | 6,667,495 | | | 1,339,377,648 |
| Andean Development Corporation..... | 3,187,576 | | | 125,000 | | 3,062,576 |
| Asian Development Bank—Special..... | 27,027,000 | | | | | 27,027,000 |
| Asian Development Fund..... | 1,441,500,606 | 43,064,726 | | | | 1,484,565,332 |
| Caribbean Development Bank— | | | | | | |
| Agricultural Development Fund..... | 2,000,000 | | | | | 2,000,000 |
| Caribbean Development Bank— | | | | | | |
| Commonwealth Caribbean Regional..... | 5,679,200 | | 355,600 | | | 6,034,800 |
| Caribbean Development Bank—Special..... | 114,254,865 | 8,130,000 | 1,115,695 | | | 123,500,560 |
| Central American Bank for Economic Integration..... | 1,491,779 | | | 76,500 | | 1,415,279 |
| Global Environment Facility Trust Fund..... | 111,110,000 | | | | | 111,110,000 |
| Inter-American Development Bank—Fund for Special | | | | | | |
| Operations..... | 394,041,892 | 1,856,700 | 16,062,289 | | | 411,960,881 |
| Multilateral Investment Fund..... | 11,388,294 | | | | | 11,388,294 |
| International Bank for Reconstruction and | | | | | | |
| Development..... | 28,396,000 | | 1,778,000 | | | 30,174,000 |
| International Fund for Agriculture Development..... | 99,303,014 | 9,095,581 | | | | 108,398,595 |
| International Monetary Fund..... | 15,574,400 | | 975,183 | | | 16,549,583 |
| Montreal Protocol Fund..... | 25,244,849 | 6,929,821 | 1,512,120 | | | 33,686,790 |
| | 3,545,265,644 | 139,564,708 | 28,466,382 | 326,500 | | 3,712,970,234 |
| Subtotal—Budgetary..... | 8,919,548,705 | 334,719,708 | 28,466,382 | 326,500 | | 9,282,408,295 |
| Less: budgetary treatment..... | 6,843,349,908 | 157,233,367 | | 507,812,359 | 1,512,120 | 7,195,441,020 |
| Total—Budgetary..... | 2,076,198,797 | 491,953,075 | 28,466,382 | 508,138,859 | 1,512,120 | 2,086,967,275 |
| Total..... | 4,010,412,273 | 887,385,398 | 141,459,160 | 818,345,735 | 1,512,120 | 4,219,398,976 |
| SUMMARY | | | | | | |
| Participation..... | 10,853,762,181 | 730,152,031 | 141,459,160 | 310,533,376 | | 11,414,839,996 |
| Less: budgetary treatment..... | 6,843,349,908 | 157,233,367 | | 507,812,359 | 1,512,120 | 7,195,441,020 |
| Total..... | 4,010,412,273 | 887,385,398 | 141,459,160 | 818,345,735 | 1,512,120 | 4,219,398,976 |

⁽¹⁾ Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development, as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 34,000 shares of the capital stock of which 30 percent of the subscribed capital is paid-in. These 34,000 shares represent Canada's initial subscription, as authorized by the *European Bank for Reconstruction and Development Agreement Act*. The Act quoted a limit of US \$120 million in respect of the paid-in portion. The subscription for the paid-in portion was paid over a five-year period starting in 1991. Paid-in shares were purchased using cash and notes payable that were or will be later encashed.

The total value of these shares is \$431,834,000 US, of which 30 per cent or \$131,180,351 US is paid-in capital. The rest is subject to call by the Bank under certain circumstances. As at March 31, 1999, Canada has subscribed to paid-in shares valued at \$131,180,351 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn).

During the year, the only transaction was a revaluation adjustment.

Canada's contingent liability for the callable portion of its shares is \$612,420,000 US.

International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1999, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 Cdn has been paid-in. The remaining portion is callable. The foreign portion of the payments was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn).

During the year, the only transaction was a revaluation adjustment of \$10.1 million.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1999, Canada has subscribed to 81,342 shares. These shares have a total value of \$81,342,000 US, all of which has been paid-in. The paid-in amounts were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn).

During the year, the only transaction was a revaluation adjustment of \$7.2 million.

Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1999, Canada has subscribed to 2,965 shares. The total value of these shares is \$32,081,300 US, of which \$6,416,260 US is paid-in and the remaining portion is callable. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn).

During the year, the only transaction involving the paid-in portion was a revaluation adjustment.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$25,665,040 US.

African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 6,300 paid-in shares and 44,100 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1999, Canada's participation to the paid-in capital is \$96,770,864 Cdn for 6,300 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn). During the year, transactions involving paid-in shares included only an adjustment to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$409,853,052 Cdn and \$177,333,450 US for a total value of \$677,396,028 Cdn.

Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L35, *Appropriation Acts No. 1 and No. 2, 1998-99*).

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1999, Canada's participation to the paid-in capital is \$224,178,127 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn). During the year, transactions involving paid-in shares included additional subscriptions in cash and through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$2,910,130,950 Cdn.

Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1999, Canada's participation to the paid-in capital is \$25,637,485 Cdn for 2,278 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn). During the year, transactions involving paid-in shares included only an adjustment made to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$73,929,100 Cdn.

Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L35, *Appropriation Acts No. 1 and No. 2, 1998-99*).

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1999, Canada's participation to the paid-in capital is \$262,787,190 Cdn for 14,061 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 Cdn). During the year, transactions involving paid-in shares included additional subscriptions made through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$5,832,949,036 Cdn. Of this latter amount, \$338,867,603 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

International Monetary Fund—Enhanced Structural Adjustment Facility

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 500 million.

As at March 31, 1999, Canada has lent a total of 421,376,125 SDR to the Enhanced Structural Adjustment Facility. Of this amount, 42,021,325 SDR has been repaid. The outstanding balance of 379,354,800 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$2.04857 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 128,597,586 SDR, which do not appear in Table 9.13.

International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

Global Environment Facility

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, no transactions were made.

As at March 31, 1999, advances to the GEF amounted to \$10,000,000 Cdn.

International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 1999, Canada's total participation in IDA amounted to \$5,559,438,061 Cdn.

International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Votes L30 and L30c, *Appropriation Acts No. 1, No. 2 and No. 5, 1998-99*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 9.14
PROVINCIAL AND TERRITORIAL GOVERNMENTS

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| NEWFOUNDLAND— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | 11,171,714 | | 20,667,523 | (9,495,809) |
| Municipal Development and Loan Board | 2,074,788 | | 179,768 | 1,895,020 |
| Winter capital projects fund | 2,836,758 | | | 2,836,758 |
| | 16,083,260 | | 20,847,291 | (4,764,031) |
| Industry— | | | | |
| Atlantic Development Board carry-over projects | 332,853 | | 87,218 | 245,635 |
| Atlantic Provinces Power Development Act | 42,599,698 | | 4,396,739 | 38,202,959 |
| | 42,932,551 | | 4,483,957 | 38,448,594 |
| Total Newfoundland | 59,015,811 | | 25,331,248 | 33,684,563 |
| NOVA SCOTIA— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | 18,360,200 | | 34,196,200 | (15,836,000) |
| Municipal Development and Loan Board | 191,160 | | 20,015 | 171,145 |
| | 18,551,360 | | 34,216,215 | (15,664,855) |
| Industry— | | | | |
| Atlantic Development Board carry-over projects | 1,174,245 | | 362,560 | 811,685 |
| Atlantic Canada Opportunities Agency— Special areas and highways agreement | 511,046 | | 443,875 | 67,171 |
| | 1,685,291 | | 806,435 | 878,856 |
| Total Nova Scotia | 20,236,651 | | 35,022,650 | (14,785,999) |
| PRINCE EDWARD ISLAND— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | 22,920,000 | | 6,576,420 | 16,343,580 |
| Municipal Development and Loan Board | 283,287 | | 33,262 | 250,025 |
| Winter capital projects fund | 91,304 | | 28,225 | 63,079 |
| | 23,294,591 | | 6,637,907 | 16,656,684 |
| Industry— | | | | |
| Atlantic Canada Opportunities Agency— Comprehensive development plan agreement | 4,971,816 | | 443,312 | 4,528,504 |
| Total Prince Edward Island | 28,266,407 | | 7,081,219 | 21,185,188 |

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| NEW BRUNSWICK— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | 7,828,000 | | 40,373,000 | (32,545,000) |
| Municipal Development and Loan Board | 1,490,238 | | 133,848 | 1,356,390 |
| | 9,318,238 | | 40,506,848 | (31,188,610) |
| Industry— | | | | |
| Atlantic Provinces Power Development Act | 14,777,573 | | 2,726,527 | 12,051,046 |
| Atlantic Canada Opportunities Agency— Special areas and highways agreement | 3,972,707 | | 2,120,540 | 1,852,167 |
| | 18,750,280 | | 4,847,067 | 13,903,213 |
| Total New Brunswick | 28,068,518 | | 45,353,915 | (17,285,397) |
| QUEBEC— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | | | 145,129,609 | (145,129,609) |
| Municipal Development and Loan Board | 16,423,618 | | 1,714,010 | 14,709,608 |
| Total Quebec | 16,423,618 | | 146,843,619 | (130,420,001) |
| ONTARIO— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | | 66,712,000 | | 66,712,000 |
| Municipal Development and Loan Board | 4,970 | | 4,970 | |
| Total Ontario | 4,970 | 66,712,000 | 4,970 | 66,712,000 |
| MANITOBA— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | 48,201,000 | | 26,187,560 | 22,013,440 |
| Municipal Development and Loan Board | 93,132 | | 93,132 | |
| Total Manitoba | 48,294,132 | | 26,280,692 | 22,013,440 |
| SASKATCHEWAN— | | | | |
| Agriculture and Agri-Food— | | | | |
| Agricultural service centres | 750,548 | | 370,759 | 379,789 |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | 127,928,233 | | 39,789,853 | 88,138,380 |
| Municipal Development and Loan Board | 38,622 | | 4,047 | 34,575 |
| | 127,966,855 | | 39,793,900 | 88,172,955 |
| Total Saskatchewan | 128,717,403 | | 40,164,659 | 88,552,744 |
| ALBERTA— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrange- ments | | 43,730,000 | | 43,730,000 |
| Municipal Development and Loan Board | 696,116 | | 64,300 | 631,816 |
| | 696,116 | 43,730,000 | 64,300 | 44,361,816 |
| Industry— | | | | |
| Western Economic Diversification— Special areas and highways agreement | 47,980 | | 47,980 | |
| Total Alberta | 744,096 | 43,730,000 | 112,280 | 44,361,816 |

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| BRITISH COLUMBIA— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrangements | | | 61,675,000 | (61,675,000) |
| Municipal Development and Loan Board | 658,582 | | 67,590 | 590,992 |
| Total British Columbia | 658,582 | | 61,742,590 | (61,084,008) |
| YUKON TERRITORY— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrangements | (8,024,459) | 8,105,071 | 1,465,613 | (1,385,001) |
| Indian Affairs and Northern Development— Government of the Yukon Territory | 386,048 | | 125,200 | 260,848 |
| Total Yukon Territory | (7,638,411) | 8,105,071 | 1,590,813 | (1,124,153) |
| NORTHWEST TERRITORIES— | | | | |
| Finance— | | | | |
| Federal-provincial fiscal arrangements | (4,634,528) | 4,642,701 | 3,879,173 | (3,871,000) |
| Total Northwest Territories | (4,634,528) | 4,642,701 | 3,879,173 | (3,871,000) |
| Total | 318,157,249 | 123,189,772 | 393,407,828 | 47,939,193 |

Federal-provincial fiscal arrangements

These amounts represent underpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These underpayments are non-interest bearing and are paid in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1999 and March 31, 2016.

Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 1 to 8 years at various anniversary amortization dates, with final instalments between July 31, 1999 and April 1, 2006.

Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 15 years, with final instalments due between March 31, 2000 and March 31, 2014.

Special areas and highways agreement—Atlantic Canada Opportunities Agency

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 6.3519 percent to 9.5757 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1999 and April 1, 2005.

Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 6.688 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

Agricultural service centres

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due March 31, 2004.

Special areas and highways agreement—Western Economic Diversification

Loans were made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

During the year, the loans were repaid in full and the account was closed.

Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|--------------------------|--------------|----------------------------------|----------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Second mortgage | 10,393 | | 3,236 | 7,157 |
| Capital expenditures . . | 179,490 | | 66,335 | 113,155 |
| Outside parties— | | | | |
| Capital projects | 196,165 | | 55,629 | 140,536 |
| | 386,048 | | 125,200 | 260,848 |

The loans bear interest at rates from 6.063 percent to 11.375 percent per annum, and are repayable in equal annual instalments over 20 to 35 years, with final instalments between September 27, 1999 and November 24, 2003.

Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|---|--------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Loans and accountable advances— | | | | |
| Foreign Affairs and International Trade— | | | | |
| Missions abroad | 9,371,588 | 715,495,330 | 707,687,708 | 17,179,210 |
| Personnel posted abroad | 11,296,135 | 12,716,512 | 11,976,798 | 12,035,849 |
| | 20,667,723 | 728,211,842 | 719,664,506 | 29,215,059 |
| National Defence— | | | | |
| Imprest accounts, standing advances and authorized loans | 33,628,184 | 421,897,880 | 432,731,033 | 22,795,031 |
| Public Works and Government Services— | | | | |
| Miscellaneous accountable advances | 9,607,360 | 19,049,193 | 9,584,056 | 19,072,497 |
| Miscellaneous accountable imprest and standing advances | 20,436,040 | 1,691,439 | 6,307,928 | 15,819,551 |
| | 30,043,400 | 20,740,632 | 15,891,984 | 34,892,048 |
| Total— Loans and accountable advances | 84,339,307 | 1,170,850,354 | 1,168,287,523 | 86,902,138 |
| Other— | | | | |
| Agriculture and Agri-Food— | | | | |
| Construction of multi-purpose exhibition buildings | 5,408,646 | | 919,690 | 4,488,956 |
| Canadian Heritage— | | | | |
| Cultural industries | 30,825,570 | | | 30,825,570 |
| Cultural property | 30,825,570 | | | 30,825,570 |
| Citizenship and Immigration— | | | | |
| Transportation and assistance loans | 59,804,104 | 16,724,519 | 18,140,983 | 58,387,640 |
| Finance— | | | | |
| Canadian Commercial Bank | 52,374,484 | | 1,544,047 | 50,830,437 |
| Ottawa Civil Service Recreational Association | 95,553 | | 11,067 | 84,486 |
| | 52,470,037 | | 1,555,114 | 50,914,923 |
| Fisheries and Oceans— | | | | |
| Canadian producers of frozen groundfish | 128,315 | | | 128,315 |
| Haddock fishermen | 1,346,337 | | | 1,346,337 |
| | 1,474,652 | | | 1,474,652 |
| Foreign Affairs and International Trade— | | | | |
| Development of export trade (loans administered by the Export Development Corporation) | 275,570,252 | 21,460,784 | 57,515,505 | 239,515,531 |
| Human Resources Development— | | | | |
| Provincial workers' compensation boards | 10,536,217 | 323,938 | 30,000 | 10,830,155 |
| Indian Affairs and Northern Development— | | | | |
| Council for Yukon Indians (Elders) | 16,629,432 | 249,534 | 464,049 | 16,414,917 |
| First Nations in British Columbia | 74,140,030 | 23,560,000 | | 97,700,030 |
| Indian Economic Development Fund | 1,828,795 | | 99,647 | 1,729,148 |
| Indian Housing Assistance Fund | 12,950 | | 12,000 | 950 |
| Inuit Loan Fund | 101,948 | | 2,284 | 99,664 |
| Native claimants | 324,832,577 | 30,116,852 | 12,444,247 | 342,505,182 |
| Yukon Energy Corporation | 30,414,274 | | 397,845 | 30,016,429 |
| | 447,960,006 | 53,926,386 | 13,420,072 | 488,466,320 |

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

| | April 1/1998 | Payments and other charges | Receipts and other credits | March 31/1999 |
|--|---------------|-------------------------------|-------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Industry— | | | | |
| Company stock option | | | | |
| Manufacturing, processing and service industries in Canada | 110,000,000 | | | 110,000,000 |
| Atlantic Canada Opportunities Agency— Loans to assist industry in the Cape Breton area | 3,442,816 | | | 3,442,816 |
| Loans to enterprises in Newfoundland and Labrador | 587,230 | | 50,000 | 537,230 |
| | 4,030,046 | | 50,000 | 3,980,046 |
| | 114,030,046 | | 50,000 | 113,980,046 |
| National Defence— | | | | |
| Canadian Forces housing projects | 5,880,623 | | 2,323,990 | 3,556,633 |
| Pilot Training Program—MILIT-AIR Inc. | | 703,000,000 | | 703,000,000 |
| | 5,880,623 | 703,000,000 | 2,323,990 | 706,556,633 |
| Natural Resources— | | | | |
| Hibernia Development Project | 132,000,000 | | | 132,000,000 |
| Nordion International Inc. | 14,878,000 | 37,926,000 | | 52,804,000 |
| | 146,878,000 | 37,926,000 | | 184,804,000 |
| Public Works and Government Services— | | | | |
| Confederation Bridge | 803,049,000 | | 23,505,000 ⁽¹⁾ | 779,544,000 |
| Seized Property Working Capital Account | (540,890) | 25,212,137 | 21,736,606 | 2,934,641 |
| | 802,508,110 | 25,212,137 | 45,241,606 | 782,478,641 |
| Solicitor General—Correctional Service— Parolees | 19,450 | 15,254 | 11,921 | 22,783 |
| Transport— | | | | |
| Hamilton Harbour Commissioners | 125,000 | | 50,000 | 75,000 |
| Saint John Harbour Bridge Authority | 28,633,491 | | 760,333 | 27,873,158 |
| St. Lawrence Seaway Management Corporation | | 1,298,495 | 51,782 | 1,246,713 |
| | 28,758,491 | 1,298,495 | 862,115 | 29,194,871 |
| Veterans Affairs— | | | | |
| Commonwealth War Graves Commission | 71,142 | 1,956 ⁽²⁾ | | 73,098 |
| Veterans' Land Act Fund— | | | | |
| Advances | 4,199,687 | 273,397 | 2,114,729 | 2,358,355 |
| Less: allowance for conditional benefits | 1,400 | | | 1,400 |
| | 4,198,287 | 273,397 | 2,114,729 | 2,356,955 |
| | 4,269,429 | 275,353 | 2,114,729 | 2,430,053 |
| Subtotal | 1,986,393,633 | 860,162,866 | 142,185,725 | 2,704,370,774 |
| Add: consolidation adjustment ⁽³⁾ | 202,537,000 | 58,553,000 | | 261,090,000 |
| Total—Other | 2,188,930,633 | 918,715,866 | 142,185,725 | 2,965,460,774 |
| Total | 2,273,269,940 | 2,089,566,220 | 1,310,473,248 | 3,052,362,912 |

⁽¹⁾ Reflects amortization of the deferred subsidies related to the Confederation Bridge.⁽²⁾ This amount represents a revaluation adjustment.⁽³⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenditures at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$9,168,839; advances for medical expenses, \$1,339,672 security and other deposits under Foreign Service Directives, \$565,816; and, school and club debentures, \$961,522.

The loans to employees bear interest at rates from 3 percent to 9 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 1999 and March 1, 2003.

Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$100,000,000.

Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.375 percent per annum, and are repayable over 20 to 30 years, with final instalments between May 31, 1999 and October 1, 2006.

Cultural industries

Payments have been made to the Cultural Industries Development Fund to establish a program of loans to cultural industries. These loans are made to Canadian owned and controlled firms in cultural industries to encourage the growth of the Canadian book publishing, film and video and sound recording industries.

Amounts accumulated in the Fund only have to be repaid if the program is terminated. Interest on the loans issued by the Fund is at the prime rate and is fixed for the life of a particular loan.

Cultural property

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L15, *Appropriation Acts No. 1 and No. 2, 1998-99*, no loans were made during the year. The total loan authority is \$10,000 per year.

Transportation and assistance loans

Section 119 of the *Immigration Act* authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 4.54 percent to 15 percent per annum, with final instalments between April 1, 1999 and April 1, 2006, \$45,697,211; and,
- b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 1999 and April 1, 2006, \$12,690,429.

During the year, loans totalling \$3,650,951 were written off by Citizenship and Immigration Vote 2c, *Appropriation Act No. 5, 1998-99*.

Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

Ottawa Civil Service Recreational Association

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987.

Haddock fishermen

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

| | Payments and other charges | | Receipts and other credits | | March 31/1999 |
|--|----------------------------|--|----------------------------|--|---------------|
| | April 1/1998 | Payments or other charges ⁽¹⁾ | Revaluation | Receipts or other credits ⁽²⁾ | Revaluation |
| | \$ | \$ | \$ | \$ | \$ |
| NON-BUDGETARY LOANS | | | | | |
| (a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001: | | | | | |
| Brazil | 4,684,207 | | 306,196 | | 4,990,403 |
| Iran | 43,464,661 | 2,108,219 | 2,797,551 | 10,459,728 | 37,910,703 |
| South Africa | 97,893,714 | | 5,252,586 | 30,339,279 | 72,807,021 |
| | 146,042,582 | 2,108,219 | 8,356,333 | 40,799,007 | 115,708,127 |
| (b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004: | | | | | |
| Antigua | 43,344,949 | | 2,825,130 | 4,583,887 | 41,586,192 |
| Kyrgyzstan | 70,830,000 | | 4,709,178 | 6,348,750 | 69,190,428 |
| | 114,174,949 | | 7,534,308 | 10,932,637 | 110,776,620 |
| Total—Non-budgetary | 260,217,531 | 2,108,219 | 15,890,641 | 51,731,644 | 226,484,747 |
| BUDGETARY LOANS | | | | | |
| (a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001: | | | | | |
| Antigua | 10,542,564 | | 733,980 | 3,193,693 | 8,082,851 |
| (b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012: | | | | | |
| Thailand | 37,136,273 | | 2,427,515 | | 39,563,788 |
| (c) 40 year term, 0 percent interest per annum, with final repayment in March 2036: | | | | | |
| Antigua | 4,810,157 | | 300,429 | 162,653 | 4,947,933 |
| Subtotal—Budgetary | 52,488,994 | | 3,461,924 | 3,356,346 | 52,594,572 |
| Less: budgetary treatment | 37,136,273 | | | 2,427,515 | 39,563,788 |
| Total—Budgetary | 15,352,721 | | 3,461,924 | 5,783,861 | 13,030,784 |
| Total | 275,570,252 | 2,108,219 | 19,352,565 | 57,515,505 | 239,515,531 |
| SUMMARY | | | | | |
| Total—Non-budgetary | 260,217,531 | 2,108,219 | 15,890,641 | 51,731,644 | 226,484,747 |
| Total—Budgetary | 52,488,994 | | 3,461,924 | 3,356,346 | 52,594,572 |
| Total | 312,706,525 | 2,108,219 | 19,352,565 | 55,087,990 | 279,079,319 |
| Less: budgetary treatment | 37,136,273 | | | 2,427,515 | 39,563,788 |
| Total | 275,570,252 | 2,108,219 | 19,352,565 | 57,515,505 | 239,515,531 |

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

Council for Yukon Indians (Elders)

Loans have been made to the Council for Yukon Indians, to provide interim benefits to elderly Yukon Indian pending settlement of Yukon Indian land claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L26b, *Appropriation Act No. 4, 1998-99*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 5 percent to 11 percent per annum.

First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L25, *Appropriation Acts No. 1 and No. 2, 1998-99*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;

(b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

(c) loans are due and payable, as to principal and interest, on the date on which the treaty is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

All the loans outstanding at year end are non-interest bearing.

Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

The loans bear interest at rates from 5 percent to 13 percent per annum, and are repayable over 4 months to 15 years, with final instalments between April 1, 1999 and April 1, 2008.

During the year, loans totalling \$85,937, were written off by Indian Affairs and Northern Development Vote 8c, *Appropriation Act No. 5, 1998-99*.

Indian Housing Assistance Fund

Second mortgage loans have been made to provide financial assistance to Indians and Inuit, for the construction and acquisition of houses and land, in areas other than Indian reserves. The purposes of the account were extended to authorize loans and advances to Indians and Inuit, for repairs or improvements to houses at time of purchase, in areas other than Indian reserves.

The total amount authorized to be outstanding at any time is \$20,000,000.

The loans are non-interest bearing, and are repayable in full by equal annual instalments or forgiveness, or, when the borrower sells the property. Whenever certain conditions of occupancy and maintenance are satisfied, instalments are forgiven at the rate of 10 percent per annum for up to 10 years. The Indian Housing Assistance Program expired on March 31, 1996. As such, any outstanding balance will be written off in 1999-2000 and future fiscal years, unless recovery is possible.

Loans totalling \$12,000 were also written off by Indian Affairs and Northern Development Vote 8c, *Appropriation Act No. 5, 1998-99*.

Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The loans bear interest at rates from 5 percent to 13 percent per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1999 and February 2, 2004.

Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Votes L20 and L20b, *Appropriation Acts No. 1, No. 2 and No. 4, 1998-99*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$200,161,392 and \$142,343,790 respectively. Rates are from 6 percent to 11 percent per annum for the interest-bearing portion.

During the year, loans totalling \$291,209 were forgiven pursuant to Indian Affairs and Northern Development Vote 7c, *Appropriation Act No. 5, 1998-99*. This amount was previously shown as a write-off under the authority of Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 1998-99*.

Yukon Energy Corporation

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year. As such, clause 2 was applied and principal and interest were reduced for fiscal year 1998-99.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
 - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
 - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L10, *Appropriation Acts No. 1 and No. 2, 1998-99*.

Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L15, *Appropriation Acts No. 1 and No. 2, 1998-99*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

Loans to assist industry in the Cape Breton area

Loans have been made for the purpose of promoting the establishment, growth, efficiency and international competitiveness of Canadian industry or to assist them in their financial restructuring and to foster the expansion of Canadian trade to a person engaged or about to engage in a manufacturing, processing or service industry in the Cape Breton area.

Loans are not expected to be recovered. Parliamentary authority is required to write off the balance.

Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Enterprise Newfoundland Labrador on behalf of the Government of Canada.

These loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates, with final instalments by April 1, 1999.

Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 1999 and November 1, 2010.

Pilot Training Program—MILIT-AIR Inc.

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million 5.75% semi-annual secured bonds issued in May 1998 by MILIT-AIR Inc. to finance the acquisition of assets for the Program.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$703 million, offset by deferred payments. These deferred payments will be amortized over the 18-year period ending on June 30, 2019.

Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

Nordion International Inc.

A \$100 million loan is being made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

During the year, loan payments were made as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1998-99*.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island.

The second subsidy payment of \$46 million was made on April 1, 1998. These subsidy payments will continue for a period of 34 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has a recorded liability of \$799 million offset by deferred subsidies of \$780 million which are recorded in this account and which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$6,828 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

Hamilton Harbour Commissioners

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

The remaining loan bears interest at the rate of 4.125 percent per annum, and is repayable in semi-annual instalments over 39 years, with the final instalment on March 20, 2004.

Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

These loans bear interest at rates from 7 percent to 9.50 percent per annum, and are repayable at monthly rates, with the final instalment of the existing terms being April 4, 2001.

Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

Veterans' Land Act Fund

Advances

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

Allowance for conditional benefits

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenditures and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

SECTION 10

1998-99

PUBLIC ACCOUNTS OF CANADA

Other Information Related to the Financial Statements

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Contractual commitments | 10.2 |
| Insurance programs of agent enterprise Crown corporations .. | 10.13 |
| Contingent liabilities | 10.15 |
| International organizations | 10.19 |

OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

This section contains detailed information related to the following:

- contractual commitments;
- insurance programs of agent enterprise Crown corporations;
- contingent liabilities; and,
- international organizations.

Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. In the case of contractual commitments to international organizations, some will result in future budgetary expenditures while others will result in non-budgetary payments.

Contractual commitments can be classified into five main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating and capital leases, international organizations and benefit and pension plans.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. All other leases are classified as operating leases.

All outstanding contractual commitments of \$10 million or more per project at year end are reported in the case of fixed assets, purchases, operating leases and transfer payment agreements. All capital lease arrangements with total minimum lease

payments remaining at year end in excess of \$1 million per contract are reported. For international organizations, all contractual commitments in excess of \$1 million at year end are reported.

While no details are provided in this section, as indicated in Note 13 to the audited financial statements in Section 1 of this volume, estimated annual expenditures under the *Pension Act* for disability and death arising from military service will approximate \$1,200 million per year over the next few years.

The Government also provides pensions to certain members of the Canadian Forces under the *Defence Services Pension Continuation Act* and the Royal Canadian Mounted Police (RCMP) under the *Royal Canadian Mounted Police Pension Continuation Act*. The estimated total obligations of these plans amount to \$60 million and \$100 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

TABLE 10.1
CONTRACTUAL COMMITMENTS
(in millions of dollars)

| | Transfer payments | Acquisition of property | Operating and capital leases | International organizations | Other | Total |
|---|----------------------|----------------------------|---------------------------------|--------------------------------|--------------|---------------|
| Information from: | | | | | | |
| Table 10.3..... | 13,913 | 5,677 | 1,211 | | | 20,801 |
| Table 10.4..... | | | 2,706 | | | 2,706 |
| Table 10.6..... | | | | 1,371 | | 1,371 |
| Pension plans for veterans | | | | | 5,830 | 5,830 |
| Liability under continuation acts | | | | | 160 | 160 |
| Total | 13,913 | 5,677 | 3,917 | 1,371 | 5,990 | 30,868 |

Table 10.2 summarizes the information presented in Table 10.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 2000 to 2004 inclusive, and a total for amounts due in the year 2005 and subsequently.

TABLE 10.2**SCHEDULE OF MINIMUM PAYMENTS**

(in millions of dollars)

| Minimum payments to be made in: | Transfer payment agreements | Acquisition of fixed assets and purchases | Commitments under operating and capital lease arrangements | Commitments to international organizations | Benefit and pension plans | Total |
|---------------------------------|-----------------------------|---|--|--|---------------------------|--------|
| 2000 | 3,889 | 2,071 | 257 | 529 | 1,207 | 7,953 |
| 2001 | 2,971 | 1,191 | 248 | 369 | 1,214 | 5,993 |
| 2002 | 2,478 | 750 | 243 | 301 | 1,220 | 4,992 |
| 2003 | 2,331 | 270 | 237 | 63 | 1,177 | 4,078 |
| 2004 | 2,075 | 94 | 199 | 56 | 1,172 | 3,596 |
| 2005 and subsequently | 169 | 1,301 | 2,733 | 53 | | 4,256 |
| Total | 13,913 | 5,677 | 3,917 | 1,371 | 5,990 | 30,868 |

Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 10.3 provides details of contractual commitments that involve transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 13 to the audited financial statements in Section I of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|--|----------------------------|----------------------|---------------------|---------------------------|---|-------|-------|-------|-------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| Transfer payment agreements— | | | | | | | | | | |
| Canada Mortgage and Housing Corporation (Government account)— | | | | | | | | | | |
| Social Housing Program | 23,943 ⁽¹⁾ | 23,943 | 15,059 | 8,884 ⁽²⁾ | 1,802 | 1,796 | 1,789 | 1,765 | 1,732 | |
| Agriculture and Agri-Food— | | | | | | | | | | |
| Economic Recovery Assistance Program— | | | | | | | | | | |
| Ice Storm | 21 | 21 | 5 | 16 | 16 | | | | | |
| Health— | | | | | | | | | | |
| Indian and Northern Health Services | 718 | 718 | 381 | 337 | 152 | 93 | 56 | 29 | 7 | |
| Moose Factory Hospital | 51 | 51 | 31 | 20 | 10 | 10 | | | | |
| Canadian International Development Agency— | | | | | | | | | | |
| Geographic Programs | 253 | 253 | 98 | 155 | 33 | 38 | 31 | 23 | 27 | 3 |
| Partnership Program | 57 | 57 | 20 | 37 | 18 | 19 | | | | |
| Country in Transition Program | 50 | 50 | 9 | 41 | 9 | 9 | 9 | 14 | | |
| Multilateral Program | 130 | 130 | 69 | 61 | 45 | 16 | | | | |
| Citizenship and Immigration— | | | | | | | | | | |
| Canada-Quebec Accord | 581 | 581 | 101 | 480 | 96 | 96 | 96 | 96 | 96 | |
| Canada-Manitoba Accord | 20 | 20 | | 20 | 4 | 4 | 4 | 4 | 4 | |
| Canada-British Columbia Accord | 237 | 237 | 2 | 235 | 47 | 47 | 47 | 47 | 47 | |
| Canadian Heritage— | | | | | | | | | | |
| Contributions— | | | | | | | | | | |
| Pan American Games | 51 | 51 | 40 | 11 | 11 | | | | | |
| Canadian Television and Cable Production Fund | 91 | 91 | 42 | 49 | 49 | | | | | |
| Radio Canada International (CBC) | 62 | 62 | 21 | 41 | 21 | 20 | | | | |
| Indian Affairs and Northern Development— | | | | | | | | | | |
| Canada Infrastructure Works Agreement— | | | | | | | | | | |
| Indian and Inuit Affairs | 36 | 36 | 36 | (3) | | | | | | |
| Northern Affairs | 9 | 9 | 9 | (3) | | | | | | |
| Comprehensive Land Claims Agreement— | | | | | | | | | | |
| Indian and Inuit Affairs | 596 | 596 | 318 | 278 | 49 | 48 | 48 | 46 | 44 | 43 |
| Northern Affairs | 142 | 142 | 91 | 51 | 12 | 12 | 12 | 12 | 3 | |
| Alternative Funding Arrangement | 968 | 968 | 688 | 280 | 132 | 62 | 40 | 42 | 4 | |
| Financial Transfer Arrangement | 2,707 | 2,707 | 1,437 | 1,270 | 509 | 362 | 182 | 171 | 46 | |
| Comprehensive Funding Arrangement | 289 | 289 | 101 | 188 | 136 | 13 | 13 | 13 | 13 | |
| Moushuau Innu Relocation Agreement | 77 | 77 | 33 | 44 | 27 | 12 | 5 | | | |
| Contribution Agreement | 177 | 177 | 79 | 98 | 28 | 14 | 12 | 8 | 2 | 34 |
| Atlantic Canada Opportunities Agency— | | | | | | | | | | |
| Economic Development Programs— | | | | | | | | | | |
| Canada/Newfoundland Strategic Regional Diversification Agreement | 60 | 56 | 42 | 14 | 10 | 4 | | | | |
| Canada/Newfoundland Comprehensive Economic Development Agreement | 35 | 35 | 7 | 28 | 13 | 11 | 4 | | | |
| Canada/Newfoundland Agreement on Economic Renewal (TAGS-ER) | 74 | 74 | 43 | 31 | 19 | 10 | 2 | | | |

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—Continued

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|---|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| Canada/Newfoundland Comprehensive Labrador Agreement | 47 | 46 | 46 | (3) | | | | | | |
| Canada/PEI Economic Development Agreement | 25 | 25 | 20 | 5 ⁽³⁾ | 3 | 2 | | | | |
| Canada/PEI Co-operation Agreement for Industrial Development | 60 | 60 | 60 | (3) | | | | | | |
| Canada/Nova Scotia Co-operation Agreement on Economic Diversification | 176 | 176 | 109 | 67 | 32 | 25 | 10 | | | |
| Canada/Nova Scotia Industrial Development Agreement | 31 | 31 | 24 | 7 ⁽³⁾ | 1 | 3 | 3 | | | |
| Canada/Nova Scotia Technology Development Agreement | 25 | 25 | 19 | 6 ⁽³⁾ | 1 | 1 | 4 | | | |
| Canada/New Brunswick Regional Economic Development Agreement | 178 | 178 | 160 | 18 | 10 | 5 | 2 | 1 | | |
| Canada Infrastructure Works Agreement/Atlantic | 219 | 219 | 207 | 12 | 12 | | | | | |
| Other Regional Economic Development Programs | 13 | 13 | 7 | 6 ⁽³⁾ | 6 | | | | | |
| Industry— | | | | | | | | | | |
| Province of Ontario | | | | | | | | | | |
| Canada Infrastructure Works Agreement | 875 | 865 | 840 | 25 | 25 | | | | | |
| CRJX development | 87 | 87 | 71 | 16 | 16 | | | | | |
| CAE Electronics visual technology | 31 | 31 | 20 | 11 | 8 | 3 | | | | |
| IBM Canada Ltd. | | | | | | | | | | |
| E-commerce software | 33 | 33 | 4 | 29 | 9 | 10 | 10 | | | |
| Computer Maintenance services | 14 | 14 | 3 | 11 | 3 | 4 | 4 | | | |
| DASH-8-400 development | 56 | 56 | 56 | (3) | | | | | | |
| PW150 Turboprop engine design and development | 100 | 100 | 84 | 16 | 2 | 7 | 7 | | | |
| Pratt & Whitney product oriented development | 46 | 46 | 34 | 12 | 12 | | | | | |
| Pratt & Whitney—PW308-C development | 99 | 99 | 24 | 75 | 44 | 18 | 8 | 5 | | |
| Ballard Power Systems—Fuel cell power plant | 29 | 29 | 18 | 11 | 11 | | | | | |
| Canarie Inc.—Phase 2 TAD | 79 | 79 | 76 | 3 ⁽³⁾ | 2 | 1 | | | | |
| Connaught Laboratories Ltd—Ca Vaccines | 60 | 60 | 7 | 53 | 5 | 5 | 9 | 8 | 6 | 20 |
| International Tele- communication Union— | | | | | | | | | | |
| ITU operations | 63 | 63 | 42 | 21 | 7 | 7 | 7 | | | |
| Precarn Associates—Precarn Phase 2 | 19 | 19 | 15 | 4 ⁽³⁾ | 4 | | | | | |
| School Net/Community Access | 37 | 37 | 27 | 10 ⁽³⁾ | 10 | | | | | |
| Canada-Ontario Agreement—Ice Storm Economic Recovery | 9 | 9 | 6 | 3 ⁽³⁾ | 3 | | | | | |

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|--|----------------------------|----------------------|---------------------|---------------------------|---|--------------|--------------|--------------|--------------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| Economic Development Agency of Canada for the Regions of Quebec— | | | | | | | | | | |
| Canada Infrastructure Works Agreement-Quebec | 638 | 638 | 594 | 44 | 38 | 6 | | | | |
| Innovation Development Entrepreneurship and Access Program—IDEA | 250 | 250 | 172 | 78 | 52 | 20 | 3 | | 3 | |
| Temporary Economic Reconstruction Program—TREP | 23 | 14 | 12 | 2 ⁽³⁾ | 2 | | | | | |
| Economic Recovery Assistance Program—ERAP | 48 | 7 | 7 | (3) | | | | | | |
| Community Futures Program | 106 | 106 | 76 | 30 | 17 | 13 | | | | |
| Regional Strategic Initiative Program | 143 | 143 | 31 | 112 | 50 | 30 | 13 | 12 | 7 | |
| National Research Council of Canada— | | | | | | | | | | |
| James Clerk Maxwell Telescope Mauna Kea, Hawaii, USA | 36 | 36 | 25 | 11 | 1 | 1 | 1 | 1 | 1 | 6 |
| Gemini Twin Telescope Project— Cerro Pachon, Chile and Mauna Kea, Hawaii, U.S.A. | 39 | 39 | 26 | 13 | 3 | 4 | 3 | 3 | | |
| Tri-University Meson Facility (TRIUMF) Vancouver, B.C. | 166 | 166 | 132 | 34 | 34 | | | | | |
| Transport— | | | | | | | | | | |
| Province of Quebec Road Agreement | 271 | 271 | 188 | 83 | 4 | 4 | 4 | 4 | 4 | 63 |
| Western Economic Diversification— | | | | | | | | | | |
| Canada Infrastructure Program Works Agreement | 635 | 635 | 601 | 34 | 34 | | | | | |
| Western Economic Diversification Program | 370 | 370 | 183 | 187 | 81 | 46 | 24 | 18 | 18 | |
| Canada-Manitoba Red River Flood Assistance Province of Manitoba | 15 | 15 | 15 | (3) | | | | | | |
| Upgrading the Port of Churchill—Hudson Bay Port Company | 14 | 14 | 1 | 13 | 7 | 6 | | | | |
| Loan/Investment Fund Program | 150 | 58 | 23 | 35 | 11 | 13 | 4 | 2 | 5 | |
| <i>Subtotal</i> | <i>36,750</i> | <i>36,593</i> | <i>22,827</i> | <i>13,766</i> | <i>3,808</i> | <i>2,930</i> | <i>2,466</i> | <i>2,324</i> | <i>2,069</i> | <i>169</i> |
| Consolidated Crown Corporations— | | | | | | | | | | |
| Canadian Film Development Corporation— | | | | | | | | | | |
| Financial Assistance to producers and distributors | 33 | 33 | | 33 | 33 | | | | | |
| International Development Research Centre— | | | | | | | | | | |
| Micronutrient Initiative | 103 | 103 | 69 | 34 | 7 | 7 | 7 | 7 | 6 | |
| Essential Health Program | 18 | 18 | 8 | 10 ⁽³⁾ | 5 | 5 | | | | |

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Continued*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|--|----------------------------|----------------------|---------------------|---------------------------|---|--------------|--------------|--------------|--------------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| The Canada Council for the Arts— Future year grants | 70 | 70 | | 70 | 36 | 29 | 5 | | | |
| <i>Subtotal</i> | 224 | 224 | 77 | 147 | 81 | 41 | 12 | 7 | 6 | |
| Total transfer payment agreements | 36,974 | 36,817 | 22,904 | 13,913 | 3,889 | 2,971 | 2,478 | 2,331 | 2,075 | 169 |
| Fixed assets and purchases— | | | | | | | | | | |
| Fixed assets— | | | | | | | | | | |
| Finance— | | | | | | | | | | |
| Equity interest in Hibernia Project | 431 | 431 | 431 | (3) | | | | | | |
| Canadian Heritage— | | | | | | | | | | |
| Lachine Canal Enhancement | 32 | 32 | 6 | 26 | 8 | 8 | 10 | | | |
| Grosse-Île Development | 31 | 31 | 12 | 19 | 2 | 3 | 3 | 11 | | |
| Fortifications of Quebec Pincers-New fire station | 13 | 13 | 7 | 6 ⁽³⁾ | 2 | 2 | 1 | 1 | | |
| Saguenay Marine Park Development | 37 | 37 | 21 | 16 | 4 | 4 | 5 | 3 | | |
| National Defence— | | | | | | | | | | |
| Electronic Support and Training Systems | 203 | 141 | 127 | 14 | 14 | | | | | |
| North American Air Defence Modernization | 1,062 | 17 | 11 | 6 ⁽³⁾ | 5 | 1 | | | | |
| Tactical Transport Tanker | 348 | 90 | 68 | 22 | 19 | 3 | | | | |
| Military Automated Air Traffic System | 162 | 74 | 20 | 54 | 15 | 13 | 21 | 5 | | |
| Canadian Search and Rescue Helicopter | 765 | 635 | 61 | 574 | 134 | 210 | 186 | 44 | | |
| Tactical Command Control and Communication System | 1,928 | 1,588 | 1,454 | 134 | 61 | 48 | 25 | | | |
| Land Forces Command System | 178 | 144 | 57 | 87 | 39 | 33 | 11 | 4 | | |
| Short Range Anti-Armour Weapons | 186 | 168 | 143 | 25 | 25 | | | | | |
| Lynx Replacement Project | 870 | 711 | 687 | 24 | 24 | | | | | |
| Armoured Personnel Carriers | 1,272 | 972 | 359 | 613 | 431 | 182 | | | | |
| Leopard thermal sight | 139 | 114 | 38 | 76 | 43 | 28 | 5 | | | |
| Canadian Forces Supply System upgrade | 289 | 173 | 113 | 60 | 50 | 10 | | | | |
| Canadian Patrol Frigate | 8,980 | 6,805 | 6,711 | 94 | 63 | 24 | 7 | | | |
| Tribal Class Update and Modernization Project (TRUMP) | 1,417 | 114 | 92 | 22 | 16 | 4 | 2 | | | |
| Maritime coastal defence vessels | 708 | 611 | 567 | 44 | 16 | | 28 | | | |
| Canadian Submarine Capability Life Extension | 812 | 250 | 68 | 182 | 68 | 54 | 60 | | | |
| Regional/Sector Air Operations Centre | 128 | 97 | 52 | 45 | 26 | 12 | 5 | 1 | 1 | |
| Other Fixed Assets (DND) | 623 | 380 | 177 | 203 | 124 | 52 | 27 | | | |
| Fisheries and Oceans— | | | | | | | | | | |
| SAR Lifeboat Replacement | 47 | 32 | 25 | 7 ⁽³⁾ | 7 | | | | | |

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 1999—Continued

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|---|----------------------------|----------------------|---------------------|---------------------------|---|------|------|------|------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| Foreign Affairs and International Trade— Site Purchase, Bonn..... | 22 | 21 | 21 | (3) | | | | | | |
| B.F. Construction Ltd—Chancery and Staff Quarters Construction, Seoul..... | 33 | 33 | | 33 | 5 | 15 | 10 | 3 | | |
| Public Works and Government Services— Perley Bridge Phase I construction, Ontario..... | 27 | 27 | 27 | (3) | | | | | | |
| Solicitor General— Correctional Service— Expansion and redevelopment of existing facilities..... | 45 | 36 | 30 | 6(3) | 5 | 1 | | | | |
| Subtotal | 20,788 | 13,777 | 11,385 | 2,392 | 1,206 | 707 | 406 | 72 | 1 | |
| Consolidated Crown Corporation— National Capital Commission— Other Capital Projects | 33 | 33 | | 33 | 25 | 8 | | | | |
| Total fixed assets | 20,821 | 13,810 | 11,385 | 2,425 | 1,231 | 715 | 406 | 72 | 1 | |
| Purchases — | | | | | | | | | | |
| Environment— Supercomputer Hardware and Software Lease NEC Corporation..... | 67 | 67 | 50 | 17 | 8 | 8 | 1 | | | |
| Industry— Computer Maintenance Services IBM Canada | 14 | 14 | 3 | 11 | 3 | 4 | 4 | | | |
| Canadian Space Agency— Sed Systems Inc.—Radarsat 1 | 28 | 28 | 20 | 8(3) | 4 | 3 | 1 | | | |
| International Space Station Program—Spar Aerospace Ltd— MSS Development— Phase 1 | 448 | 433 | 431 | 2(3) | 2 | | | | | |
| Mobile Servicing System— SPDM Development— Spar Aerospace Ltd. | 171 | 171 | 89 | 82 | 60 | 19 | 3 | | | |
| Radarsat-2 construction— MacDonald Dettwiler Ltd. | 205 | 205 | 56 | 149 | 81 | 50 | 18 | | | |
| National Defence— Ammunition | 264 | 264 | 111 | 153 | 138 | 8 | 7 | | | |
| Military pilot training—Bombardier Inc. | 221 | 221 | 196 | 25 | 25 | | | | | |
| Bombardier Inc.—CF18 System engineering support..... | 202 | 202 | 173 | 29 | 29 | | | | | |
| Canadian Airlines International—CC-150 Integrated Services | 134 | 134 | 82 | 52 | 11 | 13 | 14 | 14 | | |
| Frontec Logistics Corporation— North Warning System support | 258 | 258 | 190 | 68 | 68 | | | | | |
| Bombardier—NATO Flying Training Centre | 2,326 | 1,431 | 12 | 1,419 | 50 | 55 | 54 | 55 | 57 | 1,148 |
| Serco Ltd.—Goose Bay ASD | 193 | 133 | 26 | 107 | 26 | 27 | 27 | 27 | | |
| Other purchases (DND)..... | 464 | 455 | 209 | 246 | 114 | 81 | 31 | 16 | 3 | |

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 1999—Continued

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|---------------------------------------|----------------------------|----------------------|---------------------|---------------------------|---|-------|------|------|------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| Health— | | | | | | | | | | |
| First Canadian Health— | | | | | | | | | | |
| Non-insured health program | | | | | | | | | | |
| for First Nations | | | | | | | | | | |
| and Inuit people..... | 46 | 46 | 4 | 42 | 9 | 9 | 9 | 9 | 6 | |
| Human Resources | | | | | | | | | | |
| Development— | | | | | | | | | | |
| MFP Financial Services Ltd— | | | | | | | | | | |
| Replace all existing | | | | | | | | | | |
| mainframes with Unisys | | | | | | | | | | |
| Clear Path mainframes | 89 | 89 | 1 | 88 | 7 | 14 | 18 | 22 | 27 | |
| Canada Student | | | | | | | | | | |
| Financial Assistance Act | | | | | | | | | | |
| (Risk premium) | 418 | 321 | 164 | 157 | 77 | 41 | 30 | 9 | | |
| Solicitor General— | | | | | | | | | | |
| Correctional Service— | | | | | | | | | | |
| EDS Canada Ltd—Year 2000 | | | | | | | | | | |
| Testing and Readiness | | | | | | | | | | |
| Projects | 35 | 27 | 7 | 20 | 15 | 5 | | | | |
| Veterans Affairs— | | | | | | | | | | |
| EDS Canada Ltd. | | | | | | | | | | |
| Benefits Redesign Project— | | | | | | | | | | |
| Consulting Services | 18 | 18 | 7 | 11 | 11 | | | | | |
| Subtotal | 5,601 | 4,517 | 1,831 | 2,686 | 738 | 337 | 217 | 152 | 93 | 1,149 |
| Consolidated Crown | | | | | | | | | | |
| Corporations— | | | | | | | | | | |
| Canadian Broadcasting | | | | | | | | | | |
| Corporation— | | | | | | | | | | |
| Sports Rights | 28 | 28 | | 28 | 8 | 8 | 8 | 4 | | |
| National Hockey League | 214 | 214 | 22 | 192 | 54 | 53 | 53 | 32 | | |
| I.O.C.—Olympics | 241 | 241 | 12 | 229 | | 40 | 37 | | | 152 |
| Stentor—Network Services | 67 | 67 | 30 | 37 | 9 | 9 | 9 | 10 | | |
| Profac Facility and Property | | | | | | | | | | |
| Management | 104 | 104 | 42 | 62 | 21 | 21 | 20 | | | |
| National Capital | | | | | | | | | | |
| Commission— | | | | | | | | | | |
| Employee take over, | | | | | | | | | | |
| Minto & Profac— | | | | | | | | | | |
| Service Contract | 21 | 21 | 3 | 18 | 10 | 8 | | | | |
| Subtotal | 675 | 675 | 109 | 566 | 102 | 139 | 127 | 46 | | 152 |
| Total purchases | 6,276 | 5,192 | 1,940 | 3,252 | 840 | 476 | 344 | 198 | 93 | 1,301 |
| Total fixed assets | | | | | | | | | | |
| and purchases | 27,097 | 19,002 | 13,325 | 5,677 | 2,071 | 1,191 | 750 | 270 | 94 | 1,301 |
| Operating | | | | | | | | | | |
| leases— | | | | | | | | | | |
| Environment— | | | | | | | | | | |
| Lease of land Capilano | | | | | | | | | | |
| Indian Reserve No. 5 | | | | | | | | | | |
| Vancouver, B.C. | 413 | 413 | 49 | 364 | 6 | 5 | 5 | 5 | 4 | 339 |
| Foreign Affairs and | | | | | | | | | | |
| International Trade— | | | | | | | | | | |
| Mitsui Fudosan New York | 52 | 52 | 4 | 48 | 2 | 2 | 3 | 3 | 3 | 35 |
| AG1824-Compagnie Brussels | 15 | 15 | 4 | 11 | 2 | 2 | 2 | 2 | 2 | 1 |
| Hong Kong Land Limited | | | | | | | | | | |
| Hong Kong | 53 | 53 | 29 | 24 | 6 | 6 | 6 | 6 | | |
| Tower Plaza Associates New York | 20 | 20 | 6 | 14 | 1 | 1 | 1 | 2 | 2 | 7 |
| Obbayashi America Corporation | | | | | | | | | | |
| Los Angeles | 13 | 13 | 3 | 10 | 1 | 1 | 1 | 1 | 1 | 5 |

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Concluded*

(in millions of dollars)

| | Total estimated cost | Amount contracted | Amount disbursed | Outstanding commitment | Outstanding commitments to be disbursed by March 31 | | | | | 2005 and subse- quently |
|---|----------------------------|----------------------|---------------------|---------------------------|---|--------------|--------------|--------------|--------------|-------------------------------|
| | | | | | 2000 | 2001 | 2002 | 2003 | 2004 | |
| Public Works and Government Services— | | | | | | | | | | |
| Journal Building, Ottawa | 170 | 170 | 87 | 83 | 14 | 14 | 14 | 14 | 14 | 13 |
| Place de Ville "C", Ottawa | 178 | 178 | 116 | 62 | 15 | 15 | 15 | 15 | 2 | |
| 200 Kent St., Ottawa | 104 | 104 | 48 | 56 | 12 | 12 | 12 | 12 | 8 | |
| Standard Life Building, Ottawa | 24 | 24 | 12 | 12 | 3 | 3 | 3 | 2 | 1 | |
| Trebla Building, Ottawa | 20 | 20 | 11 | 9 ⁽³⁾ | 2 | 2 | 2 | 2 | 1 | |
| 344 Slater St., Ottawa | 40 | 40 | 16 | 24 | 6 | 6 | 6 | 6 | | |
| 333 Laurier Ave., Ottawa | 19 | 19 | 7 | 12 | 4 | 4 | 4 | | | |
| 386 Broadway, Winnipeg | 19 | 19 | 10 | 9 ⁽³⁾ | 2 | 2 | 2 | 2 | 1 | |
| 59 Camelot Court, Ottawa | 17 | 17 | 9 | 8 ⁽³⁾ | 2 | 2 | 2 | 1 | 1 | |
| VIA Rail Station—Winnipeg | 13 | 13 | 2 | 11 | 1 | 1 | 1 | 1 | 1 | 6 |
| 320 Queen Street, Ottawa | 37 | 37 | 1 | 36 | 4 | 4 | 4 | 4 | 4 | 16 |
| Place Vanier, A,B and C. | 14 | 14 | 3 | 11 | 3 | 3 | 3 | 2 | | |
| Solicitor General— | | | | | | | | | | |
| Royal Canadian Mounted Police— | | | | | | | | | | |
| Dispatch radio service—Manitoba | | | | | | | | | | |
| Telephone Service (MTS) | | | | | | | | | | |
| Mobility | 59 | 59 | 7 | 52 | 6 | 6 | 6 | 6 | 6 | 22 |
| Subtotal | 1,280 | 1,280 | 424 | 856 | 92 | 91 | 92 | 86 | 51 | 444 |
| Consolidated Crown Corporations— | | | | | | | | | | |
| National Capital Commission— | | | | | | | | | | |
| Chalmers Building | | | | | | | | | | |
| 40 Elgin St., Ottawa | 130 | 130 | 4 | 126 | 5 | 5 | 5 | 5 | 5 | 101 |
| VIA Rail Canada Inc.— | | | | | | | | | | |
| Central Station — Montreal | 47 | 47 | 11 | 36 | 3 | 4 | 4 | 4 | 4 | 17 |
| Trizecchahn PVM Inc.— | | | | | | | | | | |
| Office Space | 72 | 72 | 54 | 18 | 5 | 5 | 2 | 1 | 1 | 4 |
| Canadian Broadcasting Corporation— | | | | | | | | | | |
| Satellite lease (Telesat) | 124 | 124 | 41 | 83 | 19 | 12 | 13 | 13 | 13 | 13 |
| Canadian Film Development Corporation— | | | | | | | | | | |
| Office leases | 11 | 11 | 2 | 9 ⁽³⁾ | 2 | 2 | 2 | 2 | 1 | |
| International Development Research Centre— | | | | | | | | | | |
| Office space lease | 24 | 24 | 2 | 22 | 2 | 2 | 2 | 2 | 2 | 12 |
| Office Maintenance Lease | 22 | 22 | 3 | 19 | 2 | 2 | 2 | 2 | 2 | 9 |
| Canada Council— | | | | | | | | | | |
| Operating leases | 16 | 16 | | 16 | 3 | 3 | 3 | 3 | 2 | 2 |
| National Gallery of Canada— | | | | | | | | | | |
| Operating leases | 11 | 11 | | 11 | 1 | 1 | | 1 | | 8 |
| National Museum of Science and Technology— | | | | | | | | | | |
| Operating leases | 18 | 18 | 3 | 15 | 3 | 2 | 2 | 2 | 2 | 4 |
| Subtotal | 475 | 475 | 120 | 355 | 45 | 38 | 35 | 35 | 32 | 170 |
| Total operating leases | 1,755 | 1,755 | 544 | 1,211 | 137 | 129 | 127 | 121 | 83 | 614 |
| Grand total | 65,826 | 57,574 | 36,773 | 20,801 | 6,097 | 4,291 | 3,355 | 2,722 | 2,252 | 2,084 |

(1) The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment first were reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

(2) The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$8,884 million), should therefore not be interpreted as the total outstanding commitment at March 31, 1999.

(3) Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

Capital Leases

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 13 to the audited financial statements in Section 1 of this volume. A capital lease is a lease that, transfers substantially all the benefits and risks incident to ownership of the asset to the lessor. Table 10.5 presents commitments under capital lease arrangements in order of maturity. There were no purchase options exercised during the year.

TABLE 10.4
COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS
(in thousands of dollars)

| Department and agency identification of capital lease | Inception date | Lease term in years | Fair value of leased property at inception date | Total estimated minimum lease payments, full term (excluding executory costs) | Final purchase option price included in total estimated minimum lease payment | Implicit interest rate (%) | Balances at March 31, 1999 | | | |
|---|-----------------------------|---------------------------|---|---|---|----------------------------------|--|--|-----------------------------|---|
| | | | | | | | Total estimated remaining mini- mum lease payments | Less: imputed interest, using the implicit interest rate | Less: executory costs | Net commit- ments under capital lease arrange- ments |
| Indian Affairs and Northern Development— | | | | | | | | | | |
| Office equipment..... | Jan 24, 1997 | 3 | 2,641 | 2,968 | 81 | 6.00 ⁽²⁾ | 803 | 40 | | 763 |
| Office equipment..... | Sept 11, 1997 | 2 | 565 | 627 | 75 | 6.00 ⁽²⁾ | 246 | 11 | | 235 |
| | | | 3,206 | 3,595 | 156 | | 1,049 | 51 | | 998 |
| Public Works and Government Services— | | | | | | | | | | |
| Guy Favreau Building, Montréal | Jan 1, 1994 | 25 | 87,600 | 227,569 | 30,000 | 7.6 ⁽²⁾ | 201,496 | 112,088 | | 89,408 |
| 240 Sparks St, Ottawa..... | Sept 1, 1977 | 35 | 63,703 | 213,500 | | 9.1 ⁽²⁾ | 87,743 | 39,957 | | 47,786 |
| L'Esplanade Laurier, Ottawa | Oct 1, 1995 | 15 | 60,374 | 104,638 | 18,000 | 4.9 ⁽²⁾ | 89,849 | 26,380 | | 63,469 |
| Place du Centre, Hull | Feb 17, 1978 | 30 | 26,201 | 96,204 | 6,000 | 11.0 ⁽²⁾ | 38,460 | 17,769 | | 20,691 |
| Terrasses de la Chaudière, Hull | Jan 1, 1993 | 20 | 146,084 | 364,485 | 54,000 | 8.6 ⁽²⁾ | 297,630 | 150,374 | | 147,256 |
| Government of Canada Building, (GOCB), Cornwall | Dec 1, 1994 | 25 | 9,600 | 24,771 | | 9.2 ⁽²⁾ | 21,418 | 12,245 | | 9,173 |
| Scarborough (GOCB) | Dec 1, 1994 | 25 | 38,900 | 111,605 | 10,000 | 9.4 ⁽²⁾ | 97,829 | 59,061 | | 38,768 |
| Chatham (GOCB) | June 1, 1995 | 25 | 4,940 | 11,744 | | 8.2 ⁽²⁾ | 10,413 | 5,679 | | 4,734 |
| Place Vincent Massey, Hull | Aug 1, 1996 | 15 | 23,439 | 50,860 | 15,725 | 5.6 ⁽²⁾ | 46,913 | 17,179 | | 29,734 |
| Canada Place, Edmonton | Dec 1, 1993 | 30 | 105,000 | 276,523 | | 7.9 ⁽²⁾ | 236,136 | 136,051 | | 100,085 |
| Louis Saint-Laurent, Hull | Nov 1, 1996 | 20 | 73,000 | 150,158 | 15,000 | 6.8 ⁽²⁾ | 140,356 | 65,231 | | 75,125 |
| Block 56, Vancouver | Apr 30, 1995 | 25 | 54,100 | 166,673 | | 11.6 ⁽²⁾ | 145,984 | 93,472 | | 52,512 |
| OACI, Montreal..... | Dec 1, 1996 | 20 | 100,000 | 246,573 | 23,450 | 9.3 ⁽²⁾ | 231,081 | 129,076 | | 102,005 |
| | | | 792,941 | 2,045,303 | 172,175 | | 1,645,308 | 864,562 | | 780,746 |
| Veterans Affairs— | | | | | | | | | | |
| Office equipment..... | Mar 9, 1998 ⁽¹⁾ | 3 | 2,013 | 2,309 | 378 | 5.78 ⁽²⁾ | 1,338 | 98 | | 1,240 |
| Office equipment..... | Feb 12, 1998 ⁽¹⁾ | 3 | 5,063 | 5,586 | 373 | 6.01 ⁽²⁾ | 2,978 | 245 | | 2,733 |
| | | | 7,076 | 7,895 | 751 | | 4,316 | 343 | | 3,973 |
| Consolidated Crown corporation— | | | | | | | | | | |
| Canadian Broadcasting Corporation— Canadian Broadcasting Centre, 250 Front St. W.,Toronto | Oct 14, 1988 | 30 | 485,111 | 1,257,734 | | 7.53 ⁽²⁾ | 941,605 | 556,217 | | 385,388 |
| Canadian Museum of Nature— | | | | | | | | | | |
| National Heritage Building Aylmer, Quebec..... | Sept 30, 1996 | 35 | 35,040 | 122,500 | | 9.88 ⁽²⁾ | 113,750 | 79,920 | | 33,830 |
| Total..... | | | 1,323,374 | 3,437,027 | 173,082 | | 2,706,028 | 1,501,093 | | 1,204,935 |

⁽¹⁾ New addition.

⁽²⁾ Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

TABLE 10.5

COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY

(in thousands of dollars)

| Department and agency | Payments due in | | | | | | | | | | | Total |
|---|-----------------|---------|---------|---------|---------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 to 2009 | 2010 to 2014 | 2015 to 2019 | 2020 to 2024 | 2025 to 2029 | 2030 to 2034 | |
| Indian Affairs and Northern Development — | | | | | | | | | | | | |
| Remaining payments | 1,049 | | | | | | | | | | | 1,049 |
| Imputed interest | 51 | | | | | | | | | | | 51 |
| Net commitments | 998 | | | | | | | | | | | 998 |
| Public Works and Government Services— | | | | | | | | | | | | |
| Remaining payments | 79,957 | 79,957 | 79,957 | 79,957 | 79,957 | 399,785 | 404,645 | 314,057 | 112,108 | 14,928 | | 1,645,308 |
| Imputed interest | 64,220 | 62,979 | 61,636 | 60,181 | 58,601 | 264,194 | 190,438 | 86,060 | 16,253 | | | 864,562 |
| Net commitments | 15,737 | 16,978 | 18,321 | 19,776 | 21,356 | 135,591 | 214,207 | 227,997 | 95,855 | 14,928 | | 780,746 |
| Veterans Affairs— | | | | | | | | | | | | |
| Remaining payments | 2,158 | 2,158 | | | | | | | | | | 4,316 |
| Imputed interest | 252 | 91 | | | | | | | | | | 343 |
| Net commitments | 1,906 | 2,067 | | | | | | | | | | 3,973 |
| Canadian Broadcasting Corporation— | | | | | | | | | | | | |
| Remaining payments | 33,039 | 33,039 | 33,039 | 33,039 | 33,039 | 165,194 | 165,194 | 165,194 | 165,194 | 115,634 | | 941,605 |
| Imputed interest | 28,944 | 28,630 | 28,292 | 27,928 | 27,535 | 130,658 | 115,215 | 92,868 | 60,529 | 15,618 | | 556,217 |
| Net commitments | 4,095 | 4,409 | 4,747 | 5,111 | 5,504 | 34,536 | 49,979 | 72,326 | 104,665 | 100,016 | | 385,388 |
| Canadian Museum of Nature— | | | | | | | | | | | | |
| Remaining payments | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 8,750 | 113,750 |
| Imputed interest | 3,353 | 3,337 | 3,321 | 3,302 | 3,281 | 16,014 | 15,064 | 13,506 | 10,951 | 6,761 | 1,030 | 79,920 |
| Net commitments | 147 | 163 | 179 | 198 | 219 | 1,486 | 2,436 | 3,994 | 6,549 | 10,739 | 7,720 | 33,830 |
| Summary— | | | | | | | | | | | | |
| Remaining payments | 119,703 | 118,654 | 116,496 | 116,496 | 116,496 | 582,479 | 587,339 | 496,751 | 294,802 | 148,062 | 8,750 | 2,706,028 |
| Imputed interest | 96,820 | 95,037 | 93,249 | 91,411 | 89,417 | 410,866 | 320,717 | 192,434 | 87,733 | 22,379 | 1,030 | 1,501,093 |
| Net commitments | 22,883 | 23,617 | 23,247 | 25,085 | 27,079 | 171,613 | 266,622 | 304,317 | 207,069 | 125,683 | 7,720 | 1,204,935 |

International Organizations

Table 10.6 summarizes commitments made to international organizations which are also summarized in Note 13 to the audited financial statements in Section 1 of this volume. These commitments relate to agreements with international organizations and other sovereign nations, which stipulate that the Government will disburse funds in future years for loans, advances and paid-in share. Some of these disbursements will be in the form of budgetary payments, while others will be non-budgetary. Additional information on these commitments is provided in Table 10.9 and in Note 13 to the audited financial statements in Section 1 of this volume.

TABLE 10.6

INTERNATIONAL ORGANIZATIONS COMMITMENT SUMMARY

(in millions of dollars)

| | Undisbursed loans and advances | Future paid-in share capital | Total |
|---|--------------------------------|------------------------------|-------|
| Non-budgetary share capital and loans | 358 | 134 | 492 |
| Budgetary loans and advances | 879 | | 879 |
| Total | 1,237 | 134 | 1,371 |

Insurance Programs of Agent Enterprise Crown Corporations

Three Crown corporations currently operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, the Deposit Insurance Fund administered by the Canada Deposit Insurance Corporation has required funding from the Government to meet obligations.

Information presented in Table 10.7 has not been audited since the information presented therein is derived from interim financial statements. The most recent annual financial statements of these corporations may be found in the *"President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada"*. Insurance programs of agent Crown corporations are summarized in Note 14 to the audited financial statements in Section 1 of this volume.

In Table 10.7, a minus "-" sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year.

TABLE 10.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1999

(in millions of dollars)

| | Canada Deposit Insurance Corporation ⁽¹⁾ | | Canada Mortgage and Housing Corporation ⁽²⁾ | | | | Export Development Corporation ⁽³⁾ | |
|---|---|---------|--|---------|---|---------|---|---------|
| | 1998-99 | 1997-98 | Mortgage Insurance Fund | | Mortgage-Backed Securities Guarantee Fund | | 1998-99 | 1997-98 |
| | | | 1998-99 | 1997-98 | 1998-99 | 1997-98 | | |
| Insurance in force as at reporting date..... | 307,998 | 305,014 | 183,000 | 168,900 | 21,002 | 17,404 | 10,224 | 11,500 |
| Opening balance of Fund..... | -539 | -1,176 | 21 | 19 | 39 | 31 | 252 | 217 |
| Revenues for the period— | | | | | | | | |
| Premiums and fees..... | 515 | 531 | 509 | 454 | 8 | 8 | 110 | 93 |
| Investment income..... | 28 | 16 | 252 | 189 | 5 | 4 | | |
| Other revenues..... | 36 | 6 | 53 | 54 | 2 | 2 | 34 | |
| Total revenues..... | 579 | 553 | 814 | 697 | 15 | 14 | 144 | 93 |
| Expenses for the period— | | | | | | | | |
| Loss on/provision for claims..... | -12 | -150 | 347 | 536 | | | 88 | 58 |
| Interest on loans..... | 8 | 46 | | | | | | |
| Administrative and tax..... | 17 | 20 | 257 | 159 | 7 | 6 | | |
| Funds returned to Government..... | | | | | | | | |
| Total expenses..... | 13 | -84 | 604 | 695 | 7 | 6 | 88 | 58 |
| Net income/loss (-) for the period— | 566 | 637 | 210 | 2 | 8 | 8 | 56 | 35 |
| Closing balance of Fund..... | 27 | -539 | 231 | 21 | 47 | 39 | 308 | 252 |
| Net claims during the period ⁽⁴⁾ | 58 | 156 | 246 | 402 | * | * | 47 | 27 |
| Five year average of net claims paid..... | 14 | 40 | 330 | 337 | * | * | 31 | 14 |

* Not applicable.

(1) The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. In recent years, premiums paid by member institutions have not been sufficient to meet obligations incurred by CDIC under the insurance plan. This deficiency has been funded, in part, by loans from the Government. As of September 30, 1998, this deficiency has been eliminated and the loans from the Government retired. As contingent liability no longer exists, particulars of this item will not appear in future reports.

(2) Canada Mortgage and Housing Corporation (CMHC) administers three funds of which the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund are active. The MIF provides insurance for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 1998 disclosed that the Fund had a surplus of \$146.6 million. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of principal and interest to MBS investors who participate in a pool of MIF insured first residential mortgages which have been repackaged by the financial institution into investments of \$5,000 denominations. Since 1984, the Corporation has also operated the Mortgage Rate Protection Program (MRPP). As premiums collected by CMHC for the Program are remitted directly to the Consolidated Revenue Fund (CRF) and obligations of the MRPP are ultimately payable from the CRF, the Mortgage Rate Protection Program does not meet the definition of a Crown corporation insurance plan as defined above. Therefore, operating particulars of this Program are not included in this summary but some information will be found in the notes to the Government of Canada Statement of Contingent Liabilities.

(3) The Export Development Corporation provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance fund has been adequate to provide for the full cost of claims experienced to date and to establish an allowance for future claims based on previous claims experience.

(4) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. A contingent liability is recorded as an actual liability when it becomes likely that a payment will be made and the amount of that payment may be reasonably and reliably estimated.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for enterprise Crown corporations and other government business enterprises, all Government organizations are accounted for in the financial statements by consolidation. Enterprise Crown corporations and other government business enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

The contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations and other Government business enterprises". However, in accordance with section 54 of the *Financial Administration Act*, the repayment of all money borrowed on behalf of the Crown is payable out of the Consolidated Revenue Fund and constitute potential obligations of the Government. Therefore, the borrowings of agent enterprise Crown corporations and other government business enterprises are reported with the contingent liabilities of the Government in compliance with the *Financial Administration Act* and are reported as such in Table 10.8. Three agent enterprise Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 10.7 of this section.

The contingent liabilities of the Government include borrowings by agent Crown corporations (net of allowance for losses) from non-government sources, and explicit guarantees by the Government for borrowings by non-agent Crown corporations and other government business enterprises made from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. These explicit guarantees cover guarantee programs of the Government, explicit guarantees by the Government for loans, financial arrangements and other potential liabilities, insurance programs of the Government and other explicit guarantees. They also comprise potential losses arising

from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Pending and threatened litigation is reported in total as are the contingent liabilities of consolidated Crown corporations in the following table. Also included, are contingent liabilities related to present and future callable share capital for international organizations.

Contingent liabilities other than loan guarantees and borrowings of agent enterprise Crown corporations and other government business enterprises, are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably and reliably estimated. Losses on loan guarantees are recorded in the accounts through a valuation allowance calculation when it is likely that a payment will be made to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

Also included in Table 10.8 are contingent liabilities related to present and future callable share capital for international organizations. These contingent liabilities may result in non-budgetary future payments.

Additional information is available in Note 15 to the financial statements of the Government in Section 1 of this volume.

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1999

| | Authorized limit (where applicable) ⁽¹⁾ | Contingent liability | Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾ |
|---|---|-------------------------------|--|
| | \$ | \$ | % |
| GUARANTEES BY THE GOVERNMENT OF | | | |
| Borrowings by enterprise Crown corporations which are agents of Her Majesty | | 39,698,016,000 ⁽⁴⁾ | 8.1 |
| Borrowings by other than enterprise Crown corporations | | | |
| From agents | | | |
| Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing | 1,200,000,000 | 170,857,357 ⁽⁵⁾ | |
| From other than agents | | | |
| Guarantee programs of the Government | | | |
| <i>Canada Student Loans Act</i> | 10,781,963,150 ⁽⁶⁾ | 1,746,490,081 | 14.3 |
| <i>Small Business Loans Act</i> | 2,756,735,117 ⁽⁶⁾ | 1,161,880,846 | 42.6 |
| <i>Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act</i> | | 548,694,185 | 1.0 |
| <i>Advance Payments for Crops Act</i> | 400,000,000 | 207,570,365 | 2.2 |
| Atlantic Enterprise Program | 14,018,247 | 14,018,247 ⁽⁷⁾ | 22.8 |
| Enterprise development program and Canadian Industrial Renewal Board | 1,185,981,753 | 5,919,521 ⁽⁸⁾ | |
| <i>Fisheries Improvement Loans Act</i> | 80,015 ⁽⁶⁾ | 80,015 | 100.0 |
| Loans to Indians by approved lenders for on-reserve housing | | 987,388,932 ⁽⁵⁾ | Less than 1% |
| Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft | 1,002,175,000 ⁽¹⁰⁾ | 365,884,545 ⁽¹⁰⁾ | |
| Indian economic development | 33,022,107 ⁽¹¹⁾ | 2,527,670 ⁽⁵⁾ | |
| Aboriginal Economic Program | | 4,632,500 | |
| Time Air (1982) Ltd | 10,000,000 | 1,777,095 | |
| | 16,183,975,389 | 5,046,864,002 | |
| Other explicit loan guarantees ⁽¹²⁾ | | | |
| Loans with respect to the <i>Hibernia Development Project Act</i> | 1,660,000,000 | 237,900,000 ⁽¹⁰⁾ | |
| Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader | 275,000,000 | 122,564,987 ⁽¹³⁾ | |
| Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft | 67,891,500 | 61,253,220 | |
| Hibernia Project—Temporary financing loan guarantees | 175,000,000 | | |
| Loans to Government of Romania | 27,000,000 | 24,000,000 | 22.0 |
| Loans to Ridley Terminals Inc. for operating and capital purposes | 230,000,000 | 101,000,000 | |
| Loan to PWA Corporation for operating purposes | | | |
| | 2,434,891,500 | 546,718,207 ⁽¹⁴⁾ | |
| Insurance programs of the Government ⁽¹⁵⁾ | | | |
| Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees | 13,000,000,000 ⁽¹⁶⁾ | 1,282,689,599 | 3.8 |
| Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> ⁽¹⁷⁾ | 1,050,000,000 | 589,451,179 | |
| | 14,050,000,000 | 1,872,140,778 | |

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1999—Continued

| | Authorized limit (where applicable) ⁽¹⁾ | Contingent liability | Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾ |
|--|---|---|---|
| | \$ | \$ | % |
| Other explicit guarantees | | | |
| Guarantees under the <i>Prairie Grain Advance Payments Act</i> | 1,500,000,000 | 241,100,000 | 6.4 |
| Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i> | | (18) | |
| Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada) | | 147,451,608 | |
| Guarantees under the <i>Agricultural Products Cooperative Marketing Act</i> | | 21,766,158 | |
| | 1,500,000,000 | 410,317,766 | |
| Total gross guarantees | 35,368,866,889 | 47,744,914,110 | |
| Less: allowance for losses | | 4,090,000,000 ⁽¹⁹⁾ | |
| Net exposure under guarantees | | 43,654,914,110 | |
| INTERNATIONAL ORGANIZATIONS | | 18,340,282,846 ⁽²⁾⁽¹⁰⁾⁽²⁰⁾⁽²⁵⁾ | |
| CLAIMS AND PENDING AND THREATENED LITIGATION | | 14,143,561,075 ⁽²⁾⁽¹⁰⁾⁽²¹⁾ | |
| COMPREHENSIVE NATIVE LAND CLAIMS | | 742,000,000 ⁽²²⁾ | |
| Subtotal ⁽²³⁾ | | 76,880,758,031 | |
| CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS | | 91,570,000 ⁽²⁴⁾ | |
| TOTAL | | 76,972,328,031 | |

⁽¹⁾ The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

⁽²⁾ The amount included here represent those claims which have been assessed and for which an estimated loss has been calculated. As explained in note 15 to the financial statements of the Government in Section 1 of this volume, the total contingency related to outstanding claims is not determinable.

⁽³⁾ The percentage of expected losses is calculated, where applicable, by dividing the amount of allowances for loan guarantees by the amount of the corresponding outstanding guarantees computed as at March 31, 1999.

⁽⁴⁾ Borrowings by agent enterprise Crown corporations and other government business enterprises in accordance with section 54 of the *Financial Administration Act*, are considered potential obligations of the Government and are therefore included in this statement. Outstanding borrowings for these corporations as at March 31, 1999 are summarized as follows:

(in thousands of dollars)

| | |
|---|------------|
| Business Development Bank of Canada | 4,223,355 |
| Canada Mortgage and Housing Corporation | 10,632,785 |
| Canada Ports Corporation | 78,692 |
| Canada Post Corporation | 166,477 |
| Canadian Dairy Commission | 964 |
| Canadian Wheat Board, The | 6,785,535 |
| Export Development Corporation | 12,967,328 |
| Farm Credit Corporation | 4,316,692 |
| Freshwater Fish Marketing Corporation | 5,830 |
| Petro-Canada Limited | 470,887 |
| Port of Quebec Corporation | 18,463 |
| Royal Canadian Mint | 31,000 |
| Seaway International Bridge Corporation, Ltd, The | 8 |
| Total | 39,698,016 |

⁽⁵⁾ Includes committed guarantees for the following loans to be made: to Indians for on-reserve housing, \$153,834,315 and for Indian economic development, \$2,527,670. At March 31, 1999, no loans have been reported issued for these amounts by lenders. However, since past history indicates that over 96% of these loans will be or have been advanced to clients, these amounts are included as contingencies.

⁽⁶⁾ The Act places limits on the maximum amount of guarantee for loans made by eligible lenders over different loan periods. The maximum amount of guarantee by lender is expressed in legislation as a percentage of aggregate loans made to qualified borrowers and varies according to the dollar value range of aggregate loans made by the lender. The authorized limits for given loan periods are included in the figure reported until all qualified loans made by all eligible lenders in the given periods are no longer outstanding, and are not adjusted for loan repayments nor payments made by the Government for guaranteed amounts in which default has occurred.

⁽⁷⁾ The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$12,452,696 as at March 31, 1999) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Federal Office of Regional Development - Quebec (\$1,479,745 as at March 31, 1999). The Department of Industry has responsibility for all capital projects in excess of \$20 million in the Atlantic provinces (\$85,806 as at March 31, 1999).

⁽⁸⁾ There are no loan guarantees attributable to the Canadian Industrial Renewal Board.

⁽⁹⁾ The authorized limit for loan guarantees for on-reserve housing totals \$1.2 billion (as shown above) for loans made by the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and other approved lenders.

⁽¹⁰⁾ Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of the statement.

TABLE 10.8

STATEMENT OF CONTINGENT LIABILITIES

AS AT MARCH 31, 1999—*Concluded*

- (11) The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be \$60,000,000. As at March 31, 1999, \$26,977,893 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totalling \$2,527,670 leaving a free balance of \$30,494,436 available to issue further guarantees.
- (12) Ridley Terminals Inc. (RTI) became a wholly-owned subsidiary of Canada Ports Corporation, an enterprise agent Crown corporation, on July 30, 1991. In March 1999, Transport Canada increased its contributory capital in Canada Ports Corporation to facilitate the acquisition of additional shares in RTI for the purpose of debt restructuring. RTI has arranged long-term financing through a private sector bank for working capital and capital loan facilities. Transport Canada has guaranteed this loan to the amount of \$101 million, establishing a specific loan guarantee and consequently a contingent liability for this amount.
- (13) Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.
- (14) Loans covered by this guarantee have been retired by the borrower and as contingent liability no longer exists, particulars of this item will not appear in future reports.
- (15) Since 1984, the Canada Mortgage and Housing Corporation (CMHC) has operated the Mortgage Rate Protection Program on behalf of the Government. In return for payment of a premium, CMHC will reimburse homeowners 75 percent of any increase in monthly mortgage payments, above a deductible, due to higher interest rates at the time of mortgage renewal. As recent mortgage interest rates have been relatively stable, the Program is not widely utilized and loans covered by the Program at March 31, 1999 amounted to only \$1,299,000 (\$1,509,000 at March 31, 1998). Premiums collected by CMHC are remitted directly to the Consolidated Revenue Fund (CRF) and obligations are ultimately payable from the CRF. Because of the nature of the Program, it is not possible to estimate the amounts, if any, that might be payable at some future date.
- (16) The *Export Development Act* specifies that Export Development Corporation may enter into contracts of insurance, re-insurance, related guarantees and other agreements up to a maximum of \$13 billion, the authorized limit.
- (17) There have been no claims under the *Nuclear Liability Act* since its inception in 1970. The Act covers contingent liability relating to eight Canadian nuclear installations as at March 31, 1999.
- (18) The Government has guaranteed payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board (CWB) arising from default by sovereign purchasers of grain on credit under the Credit Grain Sales Program. At March 31, 1999, date of most recent available information, approximately \$6.7 billion was recorded as a receivable on the books of the Board for such sales. CWB borrowings from outside parties amounting to \$6.8 billion as at the same date, are considered to be a potential liability of the Government under section 54 of the *Financial Administration Act* and are recorded elsewhere on this statement (see Note 4 above). Since loans and relative accrued interest payable of approximately \$87 million, exceed the amount of receivables by approximately \$149 million, there is no residual contingency (receivables less borrowing) to the government as at June 30, 1999.
- (19) Included in the allowance for probable losses is \$3,200 million (\$3,265 million in 1998) for borrowings of agent enterprise Crown corporations.
- (20) The Government has contingent liabilities for callable share capital and future callable share capital related to shares in certain international organizations. Because these contingent liabilities relate to non-budgetary share capital and loans, there would be no impact on budgetary expenditures if these potential liabilities become actual liabilities, since cash would simply be exchanged for another asset.
- (21) Classified as follows:

| | (in millions of dollars) |
|---|--------------------------|
| a. alleged breach of written, verbal or statutory contracts including construction disputes | 808 |
| b. damage to property including loss of income | 2,189 |
| c. physical and mental injury including accidents and false imprisonment | 245 |
| d. expropriation and land claims | 9,168 |
| e. miscellaneous | 1,734 |
| Sub total | 14,144 |
| Less duplicated claims | - |
| Total | 14,144 |

Included in (d) is approximately 8.4 billion which represents 1,878 litigation cases, of which the Department of Indian and Northern Affairs (DIANA) has received risk assessments from the Department of Justice for 1,753 cases. Another 124 cases have not been assessed as they have been filed recently and 1 case is assessed as zero.

The DIANA has approximately 441 active specific claims in the amount of \$1,361 million which includes 139 claims in the amount of \$753 million negotiation stage. Of these, \$191 million represents 51 claims that have mandates to settle, estimates of liability, or agreement in principle (AIP) and 84 claims estimated at \$417 million for which the amounts of the mandates have been estimated using statistical methods for a total of \$608 million which represent 135 specific claims which have been accepted as legal obligations. As for the remaining 4 special claims, they have negotiating mandates totalling \$145 million. The department has received formal submissions for the remaining 302 claims estimated at \$608 million which are presently under assessment at the Department of Indian and Northern Affairs or at Department of Justice to determine legal obligation.

Included in (e) above is \$574 million with respect to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada as at March 31, 1999.

- (22) The Government has 69 comprehensive aboriginal land claims either under negotiation, accepted for negotiation or under review. Of the 69 comprehensive claims, 7 claims relating to the Council for Yukon Indians and 5 pertaining to the Dene-Metis are in the final stages of negotiation. Should negotiations be ratified, the Government would be liable to pay financial compensation over a number of years as follows:

| | (in millions of dollars) |
|---|--------------------------|
| Council for Yukon Indians | 109 |
| Portion of the Dene/Metis claim | 197 |
| Nisga'a | 190 |
| Implementation costs | 496 |
| Total | 742 |

The remaining 57 comprehensive claims have not yet been quantified.

- (23) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Four departments reported contingent gains as at March 31, 1999 totalling approximately \$127.8 million.
- (24) In accordance with the Government's significant accounting policies, the contingent liabilities of Crown corporations that rely on Government funding as their principal source of revenue, are consolidated with those of the Government.
- (25) Include a pledge for a loan guarantee to Brazil amounting to \$236 million.

International Organizations

Table 10.9 summarizes the contingent liabilities and commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations. Future callable share capital consists of callable share capital related to subscriptions that Canada has made a commitment to purchase in future.

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 10.9 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 1999.

Table 10.9 provides additional information on contingent liabilities for international organizations that are summarized in Table 10.8 and contractual commitments for international organizations that are summarized in Table 10.6. Information contained in this table is also summarized in Notes 13 and 15 to the financial statements which are included in Section 1 of this volume.

TABLE 10.9
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES AND COMMITMENTS
(in millions of dollars)

| | Contingent liabilities ⁽¹⁾⁽²⁾ | | | Commitments ⁽¹⁾ | | |
|---|--|-------------------------------|-----------------|--------------------------------|------------------------------|--------------|
| | Callable share capital | Future callable share capital | Lines of credit | Undisbursed loans and advances | Future paid-in share capital | Total |
| NON-BUDGETARY SHARE CAPITAL AND LOANS— | | | | | | |
| African Development Bank..... | 677 | | 677 | | | |
| Asian Development Bank..... | 2,910 | | 2,910 | | | |
| Caribbean Development Bank..... | 74 | | 74 | | | |
| Inter-American Development Bank..... | 5,494 | 339 | 5,833 | | 6 ⁽³⁾ | 6 |
| International Bank for Reconstruction and Development (World Bank)..... | 7,647 | | 7,647 | | | |
| Multilateral Investment Guarantee Agency..... | 39 | | 39 | | | |
| European Bank for Reconstruction and Development..... | 924 | | 924 | | 128 | 128 |
| International Monetary Fund..... | | | | 161 | | 161 |
| Developing countries—Canada Account..... | | | | 197 | | 197 |
| Subtotal..... | 17,765 | 339 | 18,104 | 358 | 134 | 492 |
| BUDGETARY LOANS AND ADVANCES— | | | | | | |
| African Development Bank..... | | | | | | |
| Asian Development Bank..... | | | | 86 ⁽³⁾ | | 86 |
| Caribbean Development Bank—Special..... | | | | 4 ⁽³⁾ | | 4 |
| Inter-American Development Fund..... | | | | 4 ⁽³⁾ | | 4 |
| International Development Association..... | | | | 607 | | 607 |
| International Fund for Agricultural Development..... | | | | 9 ⁽³⁾ | | 9 |
| International Monetary Fund..... | | | | 126 | | 126 |
| Montreal Protocol Fund..... | | | | 7 ⁽³⁾ | | 7 |
| Developing countries—Canada Account..... | | | | 36 | | 36 |
| Subtotal..... | | | | 879 | | 879 |
| Total..... | 17,765 | 339 | 18,104 | 1,237 | 134 | 1,371 |

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1999 (1\$US = \$1.5087 Cdn; 1SDR = \$2.04857 Cdn).

(2) Canada has also pledged a loan guarantee to Brazil for 236 millions dollars.

(3) These amounts represent, in certain cases, notes payable to be issued in future years.

Note : Canada has agreed to lend the Enhanced Structural Adjustment Facility special drawing rights (SDR) 500 million of which SDR 381 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 79.3 million has been paid-in.

SECTION 11

1998-99

PUBLIC ACCOUNTS OF CANADA

Index

INDEX

A

- Accounting for expenditures, 3.8
- Accounting for revenues, 3.2
- Accounting policies,
 - summary of significant, 1.11
- Accounts payable, 5.4
 - accruals and allowances, 1.9, 5.2
 - and accrued liabilities, 1.9, 5.2, 5.4
 - by category, 5.3
- ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES, 5
 - Accounts receivable, 1.9, 7.2, 7.6
- ACCOUNTS RECEIVABLE, *see Volume II (Part II), Section 4*
- Accounts receivable of consolidated Crown corporations, 7.6
- Accumulated deficit, 1.9, 1.16, 3.15
 - beginning of year, 1.8, 3.2
 - end of year, 1.8, 3.2
 - Statement of, 2.4
- Administered trust accounts, 6.30, 6.34
- Advance account—Canadian Film Development Corporation, 6.36, 6.42
- African Development Bank, 9.30, 9.31, 9.32
- Agent Administered Indian Minors Account, 6.29, 6.31
- Aging of accounts receivable for non-tax revenues and revenues netted against expenditures, 7.7
- Agricultural Commodities Stabilization Accounts, 4.11, 4.15
- Agricultural service centres, 9.36, 9.38
- Alexander Graham Bell National Historic Site, 4.11, 4.15
- Allowance for borrowings of Crown corporations, 5.14
- Allowance for employee benefits, 1.9, 5.2, 5.13
- Allowance for loan guarantees, 5.14
- Allowance for loan guarantees and borrowings of Crown corporations, 1.9, 5.2, 5.14
- Allowance for pension adjustments, 6.2, 6.19, 6.25
- Allowance for valuation, 1.9, 9.3, 9.47
- Annuities agents' pension account, 6.35, 6.40
- Armed services—Estates, 6.30, 6.33
- Asian Development Bank, 5.5, 9.30, 9.31, 9.33
- Assets, 1.9
- Assets and liabilities, statement of, 1.9, 2.5
- Atlantic Development Board carry-over projects, 9.35, 9.37
- Atlantic Provinces Power Development Act, 9.35, 9.36, 9.37
- Atomic Energy of Canada Limited regional seismic monitoring station, 6.38, 6.46
- Authorities available from previous years, *see Volume II (Part I), Section 1*
- Authorities for the spending of proceeds from the disposal of surplus Crown assets, *see Volume II (Part I), Section 1*
- Authorities granted by statutes other than Appropriation Acts, *see Volume II (Part I), Section 1*
- Authorities granted in current year Appropriation Acts, *see Volume II (Part I), Section 1*
- Aviation gasoline and diesel fuel—Excise tax, 3.3

B

- Bank of Canada, 9.6, 9.9
- Bank of Thailand, 9.23, 9.24
- Benefit trust fund, 6.30, 6.33
- Bonds for Canada Pension Plan, 1.9, 6.2, 6.11
- Borrowings by agent enterprise Crown corporations and other Government Business Enterprises, 9.18

B—Concluded

- Borrowings by enterprise Crown corporations and other Government Business Enterprises, 9.19
- Borrowings expected to be repaid by these enterprise Crown corporations, 5.14
- Borrowings of agent enterprise Crown corporations, 5.14
- Budgetary transactions,
 - expenditures, 1.7, 2.2
 - revenues, 1.7, 2.2
- Business Development Bank of Canada, 9.6

C

- Canada bills, 6.2, 6.12
- Canada Deposit Insurance Corporation, 9.6, 9.7
- Canada Development Investment Corporation, 9.6, 9.9
 - Canada Hibernia Holding Corporation, 9.6, 9.9
 - Holdback—Privatization, 6.29, 6.31
- Canada Foundation account, 6.36, 6.43
- Canada Labour Code—Other, 6.29, 6.31
- Canada Labour Code—Wage Recovery Appeals, 6.29, 6.31
- Canada Lands Company Limited, 9.6, 9.10
- Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification, 6.35, 6.41
- Canada Mortgage and Housing Corporation, 9.6, 9.7
- Canada notes, 6.2, 6.13
- Canada Pension Plan, 1.9, 1.21, 6.2, 6.26, 6.27, 6.48
- Canada Pension Plan Account, 6.2, 6.26
- Canada Ports Corporation, 9.6, 9.10
- Canada Post Corporation, 9.6, 9.10
- Canada/Provinces Business Service Centre, 6.37, 6.44
- Canada Savings Bonds, 1.9, 6.2, 6.10
- Canadair holdback, *see* Holdback—Privatization
- Canadian Centre for Occupational Health and Safety—
 - Donations, 4.11, 4.16
- Canadian Commercial Bank, 9.39, 9.42
- Canadian Commercial Bank and Northland Bank Holdback Account, 4.11, 4.16
- Canadian currency deposits, 7.3
- Canadian Dairy Commission, 9.6, 9.10
 - account, 6.29, 6.31
- Canadian Film Development Corporation—Advance account, 6.36, 6.42
- Canadian Forces housing projects, 9.40, 9.46
- Canadian Forces Superannuation Account, 6.19, 6.20, 6.21
- Canadian Landmine Action Fund, 4.11, 4.16
- Canadian producers of frozen groundfish, 9.39, 9.42
- Canadian Sports Pool Corporation—Other outstanding liabilities, 6.36, 6.43
- Candidates' and committees' deposits—Election and referendum, 6.30, 6.32
- Cape-Breton Development Corporation, 9.6, 9.11
- Capital leases, 10.11
- Caribbean Development Bank, 5.5, 9.30, 9.31, 9.33
- CASH AND ACCOUNTS RECEIVABLE, 7
 - Cash and accounts receivable, 1.9, 7.2
- Cash in bank, 1.9, 7.2, 7.3
 - at beginning of year, 1.7, 2.2
 - at end of year, 1.7, 2.2, 2.7
- Cash in hands of collectors and in transit, 7.4
- Cash in transit, 1.9, 7.2, 7.4

C—Concluded

- Changes in accounting policies, 1.12
- Civil service insurance fund, 6.35, 6.39
- Claudia de Hueck Bequest Account, 4.11, 4.15
- Collaborative research projects, 6.36, 6.43
- Commitments under capital lease arrangements, 10.11
 - in order of maturity, 10.12
- Commodity Industry Development Fund—Province, 6.35, 6.41
- Common school funds—Ontario and Quebec, 6.36, 6.42
- Commonwealth War Graves Commission, 9.40, 9.47
- Company stock option, 9.40, 9.45
- Comprehensive development plan agreement, 9.35, 9.38
- Confederation Bridge, 6.2, 6.28, 9.40, 9.47
- CONSOLIDATED ACCOUNTS, 4
- Consolidated Crown corporations, 4.3
 - other cash, 7.4
- Consolidated specified purpose accounts, 4.10
- Construction of multi-purpose exhibition buildings, 9.39, 9.41
- CONSTRUCTION OR ACQUISITION OF LAND, BUILDINGS AND WORKS, *see Volume II (Part II), Section 6*
- CONSTRUCTION OR ACQUISITION OF MACHINERY AND EQUIPMENT, *see Volume II (Part II), Section 7*
- Continental geoscience division—Ontario Hydro, 6.38, 6.46
- Contingent liabilities, 1.24, 10.15
 - of consolidated Crown corporations, 4.8
 - of enterprise Crown corporations and other Government Business Enterprises, 9.20
 - Statement of, 10.16
- Contractors' security deposits, 6.30, 6.32
- Contractual commitments, 1.23, 10.2
 - Schedule of minimum payments, 10.3
- Corporate Sponsorships and Donations, 4.11, 4.16
- Corporation income tax, 1.8, 3.3, 3.5
- Council for Yukon Indians (Elders), 9.39, 9.44
- Crop Reinsurance Fund, 4.10, 4.14
- Crops Sector Companion Program, 4.10, 4.14
- Crown corporations and Other Government Business Enterprises, 1.22
- Crown corporation expenditures, 1.8, 3.2, 3.12
- Crown corporations' surplus moneys, 6.29, 6.31
 - St Lawrence Seaway Authority, The, 6.29
- Crown corporation trusts—Donations, 6.38, 6.46
- Cultural industries, 9.39, 9.41
- Cultural property, 9.39, 9.41
- Customs import duties, 1.8, 2.3, 3.3, 3.6

D

- Debt Servicing and Reduction Account, Statement of transactions, 1.26, 1.27
- Deferred revenues, 5.4, 5.12
- Deficit for the year, 1.8, 2.2
- Dependants' pension
 - fund, 6.35, 6.40
 - plan, 6.60
- Deposit accounts, 6.29
- Deposit and trust accounts, 6.2, 6.29
- Detailed statement of
 - expenditure transactions, 2.4
 - foreign exchange, unmatrued debt and cash transactions, 2.7
 - non-budgetary transactions, 2.6
 - revenue transactions, 2.3

D—Concluded

- Details of other program expenditures of other ministries, *see Volume II (Part I), Section 1*
- Details of other transfer payments, *see Volume II (Part I), Section 1*
- Details of responsible amounts, *see related ministerial section in Volume II (Part I)*
- Developing countries—International development assistance, 9.23, 9.27
- Development of export trade, 9.23, 9.25, 9.39, 9.42
- Domestic coinage, 3.3
- Donations—Canadian Centre for Occupation Health and Safety, 4.11, 4.16
- Donations for research—Medical Research Council, 4.11, 4.16
- Dyskinesia and torticollis research, 6.36, 6.43

E

- Egypt-Canada Memorandum of Cooperation, 6.38, 6.47
- Election and referendum—Candidates' and committees' deposits, 6.30, 6.32
- Employment Insurance Account, 4.10, 4.13, 4.18
- Employment insurance
 - premiums, 1.8, 2.3, 3.3, 3.5
 - warrants, 7.5
- Endangered Species—Donations, 4.11, 4.16
- Energy taxes, 1.8, 2.3, 3.3, 3.6
- Enterprise Crown corporations, 1.9, 9.3, 9.5, 9.6
 - and other Government Business Enterprises, 9.5, 9.6
- Environmental liabilities, 1.25
- Environmental Studies Research Fund,
 - Indian Affairs and Northern Development, 4.11, 4.16
 - Natural Resources, 4.11, 4.17
- Estates—Armed services, 6.30, 6.33
- Estates fund, 6.30, 6.34
- Euro medium term-notes, 6.2, 6.14
- European Bank for Reconstruction and Development, 5.5, 9.30, 9.32
- Exchange Fund Account, 8.4
- Excise duties, 3.3
- Excise tax
 - aviation gasoline and diesel fuel, 3.3
 - gasoline, 3.3
- Excise taxes and duties, 1.8, 2.3, 3.3, 3.5
 - miscellaneous, 3.3
 - other, 1.8, 2.3, 3.3, 3.6
- Expenditures, 1.8, 1.15, 3.2, 3.8
 - by source, 3.10
 - by standard object, 3.13
 - by type, total net, 3.9
 - under statutory authorities, 3.13, 3.14
- Export Development Corporation, 9.6, 9.8
- External expenditures by type, 3.8
- External revenues by main classification, 3.3

F

- Fair wages suspense account, 6.36, 6.43
- Farm Credit Corporation, 9.6, 9.8
- Federal Court special account, 6.37, 6.46
- Federal/provincial agreement—Advance account, 6.37, 6.45
- Federal/provincial cost-sharing agreements, 6.36, 6.42
- Federal-provincial fiscal arrangements, 9.35, 9.36, 9.37
- FEDERAL-PROVINCIAL SHARED-COST PROGRAMS, *see Volume II (Part II), Section 11*

F—Concluded

- Federal/provincial shared-cost project, 6.36, 6.44
 - Human Resources Development, 6.36, 6.44
 - Interprovincial Computerized Examination Management System (ICEMS), 6.36, 6.44
- Field British Columbia and Yukon Operations of the Northern Canada Power Commission, 6.29, 6.31
- 50th Anniversary of the Canadian Citizenship Act Celebration, 4.11, 4.15
- Financial assistance to Canadians abroad, 6.36, 6.43
- Financial assistance under budgetary appropriations to consolidated Crown corporations, 4.9
 - enterprise Crown corporations and other Government Business Enterprises, 9.21
- Financial position of consolidated Crown corporations and other Government Business Enterprises—Assets and liabilities, 4.4
- Financial position of enterprise Crown corporations and other Government Business Enterprises—Assets and liabilities, 9.14
- FINANCIAL STATEMENTS OF DEPARTMENTAL CORPORATIONS, *see* Volume II (Part II), Section 2
- FINANCIAL STATEMENTS OF REVOLVING FUNDS, *see* Volume II (Part II), Section 1
- FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA AND OPINIONS AND OBSERVATIONS OF THE AUDITOR GENERAL, 1
- Financing activities, 1.10
- Fines—Indian Act, 6.37, 6.44
- Fines for the Transportation of Dangerous Goods, 4.12, 4.17
- First Nations in British Columbia, 9.39, 9.44
- Fish Habitat Restoration Account, 4.11, 4.16
- Fixed assets, purchases and operating leases, Transfer payment agreements, 10.3
- Flight Recorder Software Systems Account, 4.12, 4.17
- Foreign claims fund, 6.36, 6.42
- Foreign currency deposits, 7.3
- FOREIGN EXCHANGE ACCOUNTS, 8
- Foreign exchange accounts, 1.9, 1.22, 8.2
- Foreign Exchange activities, 1.10
- Foreign exchange transactions, 2.7
 - net requirement for, 1.7
 - net source from, 2.2
- Foreign governments, 6.37, 6.46
- Francophone Summits, 6.38, 6.46
- Funds from non-governmental organizations, 6.36, 6.43

G

- Gasoline—Excise tax, 3.3
- General security deposits, 6.29, 6.31
- Global Environment Facility, 9.31, 9.34
- Gold reserves, 1.22
- Goods and services tax, 1.8, 2.3, 3.3, 3.6
- Government Annuities Account, 6.2, 6.28, 6.56
- Government of the Yukon Territory, 9.37, 9.38
- Government spending, 3.10
- Guarantee deposits
 - Agriculture and Agri-food, 6.29, 6.31
 - Board of Arbitration and Review Tribunal, 6.29, 6.31
 - Indian Affairs and Northern Development, 6.29, 6.31
 - oil and gas, 6.29, 6.32
 - reserve resources, 6.29, 6.32
 - National Revenue, 6.30, 6.32
 - Natural Resources—Oil and gas, 6.30, 6.32
- Guarantees by the Government, 1.24

H

- Haddock fishermen, 9.39, 9.42
- Halifax 1917 explosion pension account, 6.30, 6.32
- Hamilton Harbour Commissioners, 9.40, 9.47
- Health Insurance Supplementary Account, 4.10, 4.14
- Hibernia Development Project, 9.40, 9.46
- H.L. Holmes Fund, 4.11, 4.16
- Holdback—Privatization, 6.29, 6.31

I

- Immigration guarantee fund, 6.29, 6.31
- Imprest account cheques, 7.5
- Imprest accounts, standing advances and authorized loans, 9.39, 9.41
- Income from securities in trust—Bankruptcy and Insolvency Act, 6.37, 6.45
- Income tax,
 - corporation, 1.8, 2.3, 3.3, 3.5
 - personal, 1.8, 2.3, 3.3, 3.5
 - revenues, other, 1.8, 2.3, 3.3, 3.5
- Indian
 - agencies revenue trust bank accounts, 6.37, 6.44
 - band funds, 6.30, 6.33
 - capital accounts, 6.30, 6.33
 - revenue accounts, 6.30, 6.33
 - shares and certificates, 6.37, 6.44
 - compensation funds, 6.37, 6.44
 - economic development fund, 9.39, 9.44
 - estate accounts, 6.30, 6.33
 - housing assistance fund, 9.39, 9.44
 - moneys suspense account, 6.37, 6.44
 - savings accounts, 6.30, 6.33
 - special accounts, 6.37, 6.44
- Inmates' trust fund, 6.30, 6.33
- Insurance accounts, 4.10, 4.13
- Insurance and death benefit accounts, 6.35
- Insurance companies—Interest on bonds, 6.38, 6.47
- Insurance company liquidation, 6.35, 6.39
- Insurance programs, 1.24
- Insurance programs of agent enterprise Crown corporations, 10.13
 - Summary of, 10.14
- Inter-American Development Bank, 5.5, 9.30, 9.33
- Interest
 - accrued, 5.13
 - due, 5.13
 - on bonds—Insurance companies, 6.38, 6.47
 - rates, unmatured debt, 6.15
 - Interest and matured debt, 1.9, 5.2, 5.13
- INTEREST-BEARING DEBT, 6
- Interest-bearing debt, 1.9, 6.2
 - by category, 6.3
- International Bank for Reconstruction and Development, 9.31 (World Bank), 9.30, 9.32
- International development assistance, 9.23, 9.27
- International Development Association, 5.5, 9.31, 9.34
- International Finance Corporation, 9.30, 9.32
- International financial institutions, 5.5, 9.31, 9.34
- International Monetary Fund
 - Enhanced Structural Adjustment Facility, 9.30, 9.33
 - notes payable, 8.2, 8.3
 - subscriptions, 8.2, 8.3

I —Concluded

International organizations, 1.9, 1.23, 9.3, 9.29, 9.30, 10.12, 10.19
 commitment summary, 10.12
 contingent liabilities and commitments, 10.19
 International organizations and associations, 9.30, 9.34
 International reserves held in the Exchange Fund Account,
 8.2, 8.3
 Interport Loan Fund, 9.6, 9.10
 Inuit loan fund, 9.39, 9.45
 Investing activities, 1.10
 Investors' Indemnity Account, 4.10, 4.13

J

Jamaica, 9.23, 9.24
 Jobs and economic restoration initiative, 6.37, 6.46
 Joint and mixed enterprises, 9.3, 9.22
 Joint research and development projects,
 National Defence, 6.38, 6.46
 Royal Canadian Mounted Police, 6.38, 6.47
 Solicitor General, 6.38, 6.47
 Judges Act, 6.20

L

Labour standards suspense account, 6.36, 6.44
 Liabilities, 1.9
 LOANS, INVESTMENTS AND ADVANCES, 9
 Loans, investments and advances, 1.9, 2.6, 9.3
 by category, 9.4
 Loans and accountable advances, 9.39
 Loans to assist industry in the Cape Breton area, 9.40, 9.46
 Loans to enterprises in Newfoundland and Labrador, 9.40, 9.46
 Locally-engaged contributory pension account, 6.35, 6.40
 Long-term accounts receivable for non-tax revenues and
 revenues netted against expenditures, 7.7
 Lower Churchill Development Corporation Limited, 9.22

M

Mackenzie King trust account, 6.35, 6.42
 Manufacturing, processing and service industries in Canada,
 9.40, 9.45
 Marconi Celebration Trust Fund, 4.11, 4.15
 Market development incentive payments—Alberta, 6.38, 6.46
 Marketable bonds, 6.2, 6.4
 payable in Canadian currency, 1.9, 6.2, 6.4
 payable in foreign currencies, 1.9, 6.2, 6.8
 Matured debt, 5.13
 Maturity and currency of borrowings by enterprise Crown
 corporations and other Government Business Enterprises, 9.19
 Maturity of Government debt, 6.16
 Medical Research Council—Donations for Research, 4.11, 4.16
 Members of Parliament Retirement Compensation Arrangements
 Account, 6.19, 6.20, 6.23
 Members of Parliament Retiring Allowances Account,
 6.19, 6.20, 6.22
 Military purchases excess funds deposit, 6.38, 6.47
 Ministerial expenditures by standard object, *see Volume II*
(Part I), Section 1
 Ministerial expenditures by type, *see Volume II (Part I),*
Section 1

M—Concluded

Ministerial revenues by main classification, *see Volume II*
(Part I), Section 1
 Ministry summary (of source and disposition of authorities),
see related ministerial section in Volume II (Part I)
 Miscellaneous accountable advances, 9.39, 9.41
 Miscellaneous accountable imprest and standing advances,
 9.39, 9.41
 Miscellaneous federal/provincial projects, 6.36, 6.43
 Miscellaneous non-tax revenues, 3.3
 Miscellaneous payroll deductions, 5.4, 5.12
 Miscellaneous projects deposits—
 Canadian Heritage, 6.35, 6.42
 Environment, 6.36, 6.42
 Fisheries and Oceans, 6.36, 6.43
 Natural Resources, 6.38, 6.46
 Missions abroad, 9.39, 9.41
 Montreal Port Authority, 9.6, 9.11
 Montreal Port Corporation, 9.6, 9.11
 Mounted Police Foundation, 6.38, 6.47
 Multilateral Investment Guarantee Agency, 5.5, 9.30, 9.32
 Municipal Development and Loan Board, 9.35, 9.36, 9.37

N

National Accounts presentation, 2.8
 National Archives of Canada—Donations, 4.11, 4.15
 National Battlefields Commission—Trust Fund Account,
 4.11, 4.15
 National governments including developing countries,
 1.9, 1.23, 9.3, 9.23
 National Library—Special Operating Account, 4.11, 4.15
 National Research Council of Canada—Trust Fund,
 6.37, 6.45
 National Round Table on the Environment and Economy—
 Donations, 4.12, 4.17
 Native claimants, 9.39, 9.45
 NATO, *see North Atlantic Treaty Organization*
 Natural Sciences and Engineering Research Council—
 Trust Fund, 6.37, 6.45
 Net gain on exchange, 3.3
 Net Income Stabilization Account, 6.35, 6.41
 Net Income Stabilization Account Fund No.1—Deposits, 6.35, 6.41
 Non-budgetary transactions, 1.7, 2.2
 Non-government agencies, 6.38, 6.46
 Non-lapsing authorities granted/repealed in the current year,
see Volume II (Part I), Section 1
 Non-tax revenues, 1.8, 2.3, 3.2, 3.3, 3.7
 Non-tax revenues and revenues netted against expenditures, 7.6
 Nordion International Inc., 9.40, 9.46
 North Atlantic Treaty Organization (NATO)
 damage claims recoverable, 9.23, 9.28
 infrastructure projects, 6.38, 6.46
 North Portage Development Corporation, 9.22
 Notes payable to international organizations, 5.4, 5.5
 Notes to the financial statements of the Government of
 Canada, 1.11
 Nuclear Liability Reinsurance Account, 4.10, 4.14

O

- Observations by the Auditor General, 1.29
- Operating activities, 1.10
- Opinion of the Auditor General on the financial statements of the Government of Canada, 1.5
- Other accounts payable and accrued liabilities, 5.4, 5.12
- Other cash—Consolidated Crown corporations, 7.4
- OTHER GOVERNMENT-WIDE INFORMATION, *see* *Volume II (Part II), Section 12*
- OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS, 10
- Other information related to the financial statements, 10.2
- Other level of Government, 2.4
- Other loans, investments and advances, 1.9, 9.3, 9.39
- OTHER MISCELLANEOUS INFORMATION, *see* *Volume II (Part II), Section 13*
- Other non-tax revenues, 1.8, 2.3, 3.3, 3.7
- Other outstanding liabilities—Canadian Sports Pool Corporation, 6.36, 6.43
- Other program expenditures, 1.8, 3.2, 3.12
- Other receivables, 7.6
- Other specified purpose accounts, 4.12, 4.14, 6.2, 6.35
- Ottawa Civil Service Recreational Association, 9.39, 9.42
- Outstanding cheques, 7.5
- Outstanding cheques and warrants, 1.9, 7.2, 7.5

P

- Pan American Health Organization (SIREVA), 6.36, 6.43
- Pan Asia Research and Development Grants Program, 6.36, 6.44
- Parolees, 9.40, 9.47
- PAYMENTS OF CLAIMS AGAINST THE CROWN, EX GRATIA PAYMENTS AND COURT AWARDS, *see* *Volume II (Part II), Section 10*
- Pension accounts, 6.35
- Pension and other accounts, 1.9, 2.6, 6.2, 6.17
 - other, 1.9
- Personal income tax, 1.8, 3.3, 3.5
- Personnel posted abroad, 9.39, 9.41
- Petro-Canada, 9.22
- Petro-Canada Enterprises Inc—Shares, 6.37, 6.45
- Petro-Canada Limited—Cash reserve, 6.29, 6.31
- Pilot Training Program—MILIT-AIR Inc., 6.2, 6.28, 9.40, 9.46
- Portfolio investments, 1.9
- Preface to the financial statements of the Government of Canada, 1.2
- Prime Minister Awards, 4.11, 4.16
- Privileges, licences and permits, 3.3
- Proceeds from sales, 3.3
- Proceeds from the disposal of surplus Crown assets, 3.3
- PROFESSIONAL AND SPECIAL SERVICES, *see* *Volume II (Part II), Section 5*
- Program objective and activity description, *see related ministerial section in Volume II (Part I)*
- Programs by activity, *see related ministerial section in Volume II (Part I)*
- Project deposits—Statistics Canada, 6.37, 6.45
- Provincial and territorial governments, 1.9, 9.3, 9.35
- Provincial and territorial tax collection agreements
 - account, 5.4, 5.6, 5.7

P—Concluded

- Provincial workers' compensation boards, 9.39, 9.44
- PUBLIC DEBT CHARGES, *see* *Volume II (Part II), Section 9*
- Public debt charges, 1.8, 3.2, 3.12
- Public participation funding program, 6.36, 6.42
- Public sector pensions, 1.9, 1.20, 6.2, 6.17, 6.19
- Public Service death benefit account, 6.35, 6.40
- Public Service Superannuation Account, 6.19, 6.20, 6.21

Q

- Queen's Fellowship fund—Social Sciences and Humanities Research Council, 6.37, 6.45

R

- Radarsat, 6.37, 6.45
- Recapitulation of external expenditures by standard object, *see* *Volume II (Part I), Section 1*
- Recapitulation of external expenditures by type, *see* *Volume II (Part I), Section 1*
- Recapitulation of external revenues by main classification, *see* *Volume II (Part I), Section 1*
- Receiver General
 - current deposits, 7.3
 - special deposits, 7.3
- Refunds of previous years' expenditures, 3.3
- Regular forces death benefit account, 6.35, 6.39
- Retirement Compensation Arrangements (RCA) Account, 6.19, 6.20, 6.24
- Return on investments, 1.8, 2.3, 3.3, 3.7
- Returned soldiers' insurance fund, 6.35, 6.40
- Revenues, *see related ministerial section in Volume II (Part I)*
- Revenues, 1.8, 1.13, 3.2
 - by main classification, total net, 3.4
 - from all sources, 3.5
 - other income tax, 1.8, 3.3, 3.5
- REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT, 3
- Revenues, expenditures and accumulated deficit, 3.2
- Revenues, expenses and other changes in equity of
 - consolidated Crown corporations, 4.6
 - enterprise Crown corporations and other Government Business Enterprises, 9.16
- Rideau Hall Donations, 4.11, 4.16
- Royal Canadian Mint, 9.6, 9.11
- Royal Canadian Mounted Police
 - benefit trust fund, 6.30, 6.33
 - dependants' pension fund, 6.35, 6.40
 - dependants' pension plan, 6.60
 - Superannuation Account, 6.19, 6.20, 6.22

S

- Saint John Harbour Bridge Authority, 9.40, 9.47
- St Lawrence Seaway Management Corporation, 9.40, 9.47
- Sales of seized assets, 6.36, 6.43
- Schedule of minimum payments, 10.3
- Scholastic awards, 6.30, 6.33
- Securities held and short-term investments, 6.2
- Securities held by the Canada Pension Plan Investment Board, 6.26

S—Continued

- Securities held by the Canada Pension Plan Investment Fund, 6.2, 6.26
- Securities in trust—Bankruptcy and Insolvency Act, 6.37, 6.45
- Security for costs,
 - Supreme Court of Canada, 6.29, 6.32
 - Tax Court of Canada, 6.29, 6.32
- Seized assets
 - Canadian funds, 6.38, 6.47
 - US funds, 6.38, 6.47
- Seized property—Cash, 6.30, 6.32
- Seized Property Proceeds Account, 4.12, 4.17
- Seized Property Working Capital Account, 9.40, 9.47
- Service fees, 3.3
- Shared-cost agreements
 - Canadian Food Inspection Agency, 6.35, 6.42
 - conferences and training, 6.35, 6.42
 - NAFTA Secretariat, Canadian Section, 6.36, 6.43
 - Port of Churchill, 6.37, 6.46
 - research, 6.35, 6.38, 6.41, 6.46
 - tourism, 6.37, 6.45
- Shared-cost/joint project agreements, 6.35
 - research, 6.37, 6.45
- Shared-cost projects
 - Canadian Heritage, 6.36, 6.42
 - Canadian International Development Agency, 6.36, 6.43
 - International conferences, 6.36, 6.43
 - Foreign Affairs and International Trade, 6.36, 6.43
 - Industry, 6.37, 6.45
 - Natural Resources, 6.38, 6.46
- Ship-Source Oil Pollution Fund, 4.10, 4.14
- Short-term investments in Canada bonds, 6.26
- Social Sciences and Humanities Research Council—
 - Trust Fund, 6.37, 6.45
- Société du parc industriel et portuaire Québec-Sud, 9.22, 9.23
- Source and disposition of authorities by type (voted and statutory), *see Volume II (Part I), Section 1*
- Source and disposition of budgetary authorities by ministry, *see Volume II (Part I), Section 1*
- Source and disposition of non-budgetary authorities by ministry, *see Volume II (Part I), Section 1*
- Special areas and highways agreement,
 - Atlantic Canada Opportunities Agency, 9.35, 9.36, 9.38
 - Western Economic Diversification, 9.36, 9.38
- Special drawing rights allocations, 8.2, 8.3
- Special Operating Account—National Library, 4.11, 4.15
- Specified purpose accounts,
 - other, 4.11, 4.14, 6.2, 6.35
- Spending and borrowing authorities, 1.13
- Sponsorship Agreement—Contributions, 6.38, 6.47
- Statement of accumulated deficit, 2.4
- Statement of accumulated deficit in terms of total liabilities and total assets, 3.15
- Statement of all borrowing transactions on behalf of Her Majesty, 6.16
- Statement of assets and liabilities, 1.9, 2.5
- Statement of changes in financial position, 1.10
 - Financing activities, 1.10
 - Foreign exchange activities, 1.10
 - Investing activities, 1.10
 - Operating activities, 1.10
- Statement of contingent liabilities, 10.16
- Statement of responsibility, 1.4

S—Concluded

- Statement of revenues, expenditures and accumulated deficit, 1.8
- Statement of revenues and expenditures, *see Volume II (Part I), Section 1*
- Statement of transactions, 1.7
- Statement of transactions of the Debt Servicing and Reduction Account, 1.26
- Summary combined financial statements of enterprise
 - Crown corporations and other Government Business Enterprises by segment, 9.13
- Summary financial statements of
 - consolidated Crown corporations, 4.3
 - enterprise Crown corporations and other Government Business Enterprises, 9.12
- Summary of insurance programs of agent enterprise
 - Crown corporations, 10.14
- Summary of significant accounting policies, 1.11
- Summary of transactions in public sector pensions that resulted in charges to expenditures, 6.20
- Summary statement of transactions, 2.2
- Superannuation accounts, 6.2, 6.19
- SUPPLEMENTARY FINANCIAL INFORMATION, 2
- Supplementary financial information, 2.2
- Supplementary Fines Fish Account, 4.11, 4.16
- SUPPLEMENTARY INFORMATION REQUIRED BY THE FINANCIAL ADMINISTRATION ACT, *see Volume II (Part II), Section 3*
- Supplementary Retirement Benefits Account, 6.19, 6.20, 6.25
- Surplus for the year, 1.8, 2.2, 3.2
- Suspense accounts, 5.4, 5.12

T

- Tax revenues, 1.8, 2.3, 3.2, 3.3, 3.5
- Temporary deposits received from importers, 6.30, 6.32
- Transactions in the Employment Insurance Account, 4.13
- Transfer payment agreements, fixed assets, purchases and operating leases, 10.3, 10.4
- TRANSFER PAYMENTS, *see Volume II (Part II), Section 8*
- Transfer payments, *see related ministerial section in Volume II (Part I)*
- Transfer payments, 1.8, 3.2, 3.10
 - by province, certain, 3.11
- Transportation and assistance loans, 9.39, 9.41
- Treasury bills, 1.9, 6.2, 6.9
 - average yields at tender, 6.15
- Treaty Land Entitlement (Saskatchewan) Fund, 6.37, 6.44
- Trust accounts, 6.30
- Trust fund
 - National Research Council of Canada, 6.37, 6.45
 - Natural Sciences and Engineering Research Council, 6.37, 6.45
 - Social Sciences and Humanities Research Council, 6.37, 6.45
- Trustee Performance Securities, 6.29, 6.32

U

- Unamortized commissions on Canada savings bonds, 5.13
- Unamortized discounts and premiums on marketable bonds, 5.13

U—Concluded

- Unamortized discounts on
 - Canada bills, 5.13
 - Treasury bills, 5.13
- Uncertainty due to the Year 2000 Issue, 1.25
- Unclaimed dividends and undistributed assets
 - Bankruptcy and Insolvency Act, 6.37, 6.45
 - Canada Business Corporations Act, 6.37, 6.45
 - Winding-up Act, 6.37, 6.45
- United Kingdom, 9.23, 9.24
 - United Kingdom Financial Agreement Act, 1946, 9.24
- Unmatured debt, 1.9, 1.17, 6.2, 6.4
 - and other financial instruments, 1.17
 - as at March 31, from 1995 to 1999, with the average rate of interest thereon, 6.15
 - payable in Canadian currency, 1.9, 6.2, 6.4
 - payable in foreign currencies, 1.9, 6.2, 6.8
- Unmatured debt transactions, 2.7
 - net requirement from, 1.7
 - net source from, 1.7, 2.2

V

- Veterans administration and welfare trust fund, 6.30, 6.34
- Veterans insurance fund, 6.35, 6.40
- Veterans' Land Act Fund, 9.40, 9.47

W

- War claims fund—World War II, 6.36, 6.42
- Western Grain Stabilization Account, 4.10, 4.12
- Winding-up Act—Unclaimed dividends and undistributed assets, 6.37, 6.45
- Winter capital projects fund, 9.35, 9.37
- World Health Organization, 6.36, 6.43

Y

- Yukon Energy Corporation, 9.39, 9.45



3 1761 11549532 7